SaaS COMPANIES

WHEN TO CAPITALIZE COSTS

AN ARMANINO WHITE PAPER / authored by Matthew Perreault / coauthored by Jon Chin

Our survey of 80 publicly traded SaaS companies includes excerpts from each company's software development and sales commissions accounting policy footnotes. The survey demonstrates the disparity in practice as well as trends in the capitalization models used by SaaS companies. You can use this information as a tool to gauge the accuracy, transparency and completeness of your own policies and disclosures. Attached at the end of this white paper is a complete copy of the SaaS Software Development and Sales Commissions Survey.

The lifeblood of SaaS (Software as a Service) businesses is their software, and they must continually release new features, functions and interfaces to meet the ever-evolving demands of their growing volume of customers.

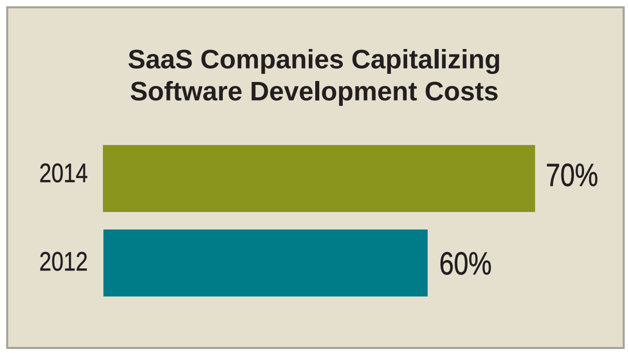
To stay ahead of their competitors, SaaS companies invest huge amounts in software development, and then pay big money to top salesmen for selling these products. As a result, product development and sales commissions are often the top expenditures for most SaaS businesses. Savvy C-Suite executives recognize that they must properly account for these costs, while growing revenues and maintaining predictability, to gain investors' confidence and increase stock prices. Determining the proper accounting approach can be complicated, however.

To see how publicly traded SaaS companies are handling software development and sales commissions—and the rules surrounding these expenses—we conducted a SaaS cost capitalization survey in early 2012 and 2014. In the 2014 survey, we examined the latest financial statements of 80 public companies that disclosed SaaS as a significant portion of their revenues. We also revisited the applicable GAAP rules governing treatment of such costs, in an attempt to understand the diversity in practice that we found.

SOFTWARE DEVELOPMENT COSTS

Our 2014 survey revealed that 70% of the companies are, in fact, capitalizing software development costs. That's an increase from the 60% noted in 2012.

Based on the footnotes of the companies surveyed, it seems the increase can be attributed to a "cross-over" from traditional software licensing to a purer SaaS model. SaaS development costs are subject to "internal use" software capitalization rules, which typically have a longer window of time for eligible costs to be capitalized, versus the "external use" rules for software licensing companies. Brief summaries of the applicable FASB rules are shown in the table below:



SaaS		
TOPIC	SUBTOPIC	DESCRIPTION
Internal-Use Software	350-40	Capitalization of costs begins when the preliminary project stage is completed, management has committed to funding the project, and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization ceases at the point in which the project is substantially complete and is ready for its intended purpose.
Website Development Costs	350-50	Costs incurred to purchase software tools, or costs incurred during the application development stage for internally developed tools, shall be capitalized.
Traditional Software License		
TOPIC	SUBTOPIC	DESCRIPTION
Costs of Software to Be Sold, Leased, or Marketed	985-20	Development costs of software to be sold, leased, or otherwise marketed are subject to capitalization beginning when technological feasibility has been established and ending when the product is available for general release.

The rules clearly state that capitalization is mandatory, but in practice, 24 of the 80 companies surveyed (30%) continue to expense all software development costs.

So how does a company like Workday, which spends $182 million annually on R&D, or Oracle, which spends $5 billion, determine that they don't need to capitalize such costs?

Oracle: Their footnote simply says such costs *"were not material to our consolidated financial statements."*

Workday: They don't even have a related footnote.

Often, companies that don't capitalize any amounts will state something like *"…the software was available for general release concurrent with the establishment of technological feasibility…"* Although this appears to skirt the requirement to capitalize development expenses, it seems that the company, its auditors and the SEC are content with this answer, because it results in immediate expense recognition—a more conservative solution than deferring costs on the balance sheet.

SALES COMMISSION COSTS

In 2012 our survey showed that just 30% of SaaS companies were deferring commissions.

Surprisingly, in 2014, that figure declined to 21% (or 17 out of 80) of SaaS companies disclosing that they capitalize commissions.

Specific guidance exists mandating deferral of commissions in the financial services and advertising industries. However, the GAAP rules applicable to SaaS companies state that:

…incremental direct costs incurred related to the acquisition or origination of a customer contract in a transaction that results in the deferral of revenue, may be either expensed as incurred or deferred and charged to expense in proportion to the revenue recognized (ASC 605-20-25-4). The SEC believes the accounting policy chosen for these costs should be disclosed and applied consistently.[1]

So why do the majority of SaaS companies choose to expense commissions? Most likely, many companies don't want to work through the added accounting complexity of tracking these costs and then creating a system to defer and amortize the amounts over future revenue streams.

A more appropriate question might be, why do some companies take the time to defer these commissions?

To answer this question, we researched SaaS companies that changed to this deferral method, and found the following "boilerplate" disclosure used repeatedly to explain the switch in policy:

The Company believes the deferral method is preferable primarily because the sales commission charges are so closely related to obtaining the revenue from the contracts that they should be deferred and charged to expense over the same period that the related revenue is recognized.

The companies that do elect to defer these commissions (e.g., Salesforce, Workday, RedHat) are large, fast-growing companies that rely on lucrative commission structures, which emphasize long-term customer relationships, and they believe deferral better illustrates the economic reality of the transaction.

[1] ASC 605-10-S99, A3f, ques. 3

LOOKING FORWARD

The new (joint FASB and IASB) revenue standard (effective for public companies in 2017 and private companies in 2018) isn't expected to change the way SaaS companies treat software development costs. However, the standard does cite sales commissions as an example of a cost that may require capitalization. Under the new guidance, entities will capitalize costs that relate directly to the contract, and are expected to be recovered. In order for costs to meet the "expected to be recovered" criterion, costs should be reflected in the pricing on the contract and recoverable through margin. Given that this new standard mandates retrospective adoption, we anticipate more SaaS companies will soon begin deferring commissions, avoiding a complex "what if we had deferred?" calculation upon adoption

In light of our survey and the new standard, SaaS companies should carefully consider their decision on when to capitalize versus expense R&D and commission costs, as there are several short- and long-term implications. They should also consult with their auditors and, ultimately, adopt the method they believe most closely aligns with the spirit of the accounting rules.

STRATEGIC INSIGHTS
PRACTICAL ACTION

Armanino provides an integrated set of accounting services — audit, tax, consulting and technology solutions — to a wide range of organizations operating both in the US and globally.

You can count on Armanino to think strategically, to provide the sound insights that lead to positive action. We address not just your compliance issues, but your underlying business challenges, as well — assessing opportunities, weighing risks, and exploring the practical implications of both your short- and long-term decisions.

When you work with us, we give you options that are fully aligned with your business strategy. If you need to do more with less, we will implement the technology to automate your business processes. If it's financial, we can show you proven benchmarks and best practices that can add value company-wide. If the issue is operational, we'll consult with your people about workflow efficiencies. If it's compliance, we'll ensure you meet the requirements and proactively plan to take full advantage of the changes at hand. At every stage in your company's lifecycle, we'll help you find the right balance of people, processes and technology.

For further information regarding cost capitalization, contact one of our SaaS expert partners:

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SaaS COMPANIES

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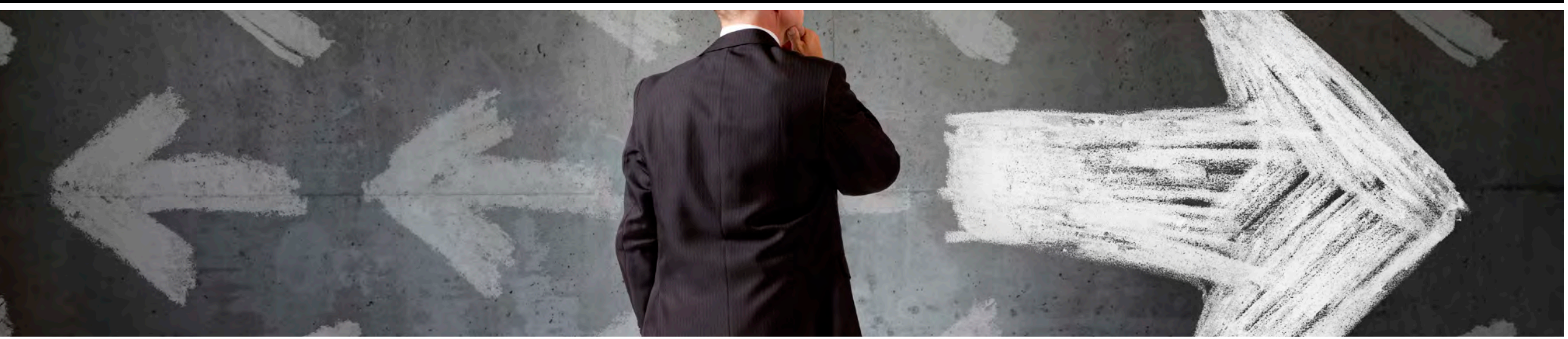
SURVEY RESULTS



SaaS Cost Capitalization Database

	Company	Ticker	Auditor	Capitalize Software or Website Development Costs ?	Capitalize Commissions?	YE Date	Revenues, Current Year (CY)	Software Development Costs Capitalized on Balance Sheet (BS)	Software Development Costs Capitalized (CY)	Amortization Expense of Software Development Costs (CY)	NET Commissions Capitalized (BS)	Commissions Capitalized (CY) aka Deferred Commissions	Commissions Amortized (CY)	Notes on Capitalization of Software Development	Notes on Capitalization of Commissions
						(In Thousands)									
1	Accelrys	ACCL	Big 4	Yes	No	3/31/2013	$ 168,526	$ 18,175	not disclosed	$ 100	$ -	$ -	$ -	We account for costs incurred for computer software to be sold in accordance with ASC Topic 985, Software. Accordingly, costs incurred internally in the research and development of new software products and significant enhancements to existing software products are expensed as incurred until the technological feasibility of the product has been established. Technological feasibility occurs shortly before our internally developed software products are available for general release. We have determined that the internal costs eligible for capitalization are not material. Costs paid to third parties for products in which technological feasibility has been established are capitalized upon purchase of the software.	No discussion in footnotes
2	Aspen Technology, Inc.	AZPN	Big 4	Yes	No	06/30/2014	$ 391,453	$ 1,390	$ 700	$ 1,000	Not Disclosed	Not Disclosed	Not Disclosed	Certain computer software development costs are capitalized in the accompanying consolidated balance sheets. Capitalization of computer software development costs begins upon establishing technological feasibility defined as meeting specifications determined by the program design. Amortization of capitalized computer software development costs is provided on a product-by-product basis using the greater of (a) the amount computed using the ratio that current gross revenue for a product bears to total of current and anticipated future gross revenue for that product or (b) the straight-line method, beginning upon commercial release of the product, and continuing over the remaining estimated economic life of the product, not to exceed three years. At each balance sheet date, we evaluate the unamortized capitalized software costs for potential impairment by comparing the balance to the net realizable value of the products.	No discussion in footnotes
3	Athenahealth, Inc.	ATHN	Big 4	Yes	No	12/31/2013	$ 595,003	$ 29,987	$ 29,123	$ 18,000	$ -	$ -	$ -	The Company capitalizes costs related to its athenaNet services and certain other projects for internal use incurred during the application development stage, including stock-based compensation expense for employees working on these projects. Costs related to the preliminary project stage and post implementation activities are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life. The estimated useful life of the software is two to three years.	Although we recognize substantially all of our revenue when services have been delivered, we recognize a large portion of our sales commission expense at the time of contract signature and at the time our services commence. Accordingly, we incur a portion of our sales and marketing expense prior to the recognition of the corresponding revenue
4	Attunity Ltd	ATTU	Big 4	No	No	12/31/2013	$ 25,197	$ -	$ -	$ -	$ -	$ -	$ -	Research and development costs are charged to the statement of operations as incurred. ASC No. 985-20, "Software- Costs of Software to Be Sold, Leased, or Marketed", requires capitalization of certain software development costs subsequent to the establishment of technological feasibility.Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working models and the point at which the products are ready for general release, have been insignificant. Therefore, all research and development costs are expensed as incurred.	No discussion in footnotes
5	Automatic Data Processing, Inc.	ADP	Big 4	Yes	No	6/30/2013	$ 11,310,100	$ 1,511	$ 101	$ 94	$ -	$ -	$ -	Expenditures for major software purchases and software developed or obtained for internal use are capitalized and amortized over a three- to five-year period on a straight-line basis. The Company's policy provides for the capitalization of external direct costs of materials and services associated with developing or obtaining internal use computer software. In addition, the Company also capitalizes certain payroll and payroll-related costs for employees who are directly associated with internal use computer software projects. The amount of capitalizable payroll costs with respect to these employees is limited to the time directly spent on such projects. Costs associated with preliminary project stage activities, training, maintenance, and all other post-implementation stage activities are expensed as incurred. The Company also expenses internal costs related to minor upgrades and enhancements, as it is impractical to separate these costs from normal maintenance activities.	No discussion in footnotes
6	Bazaarvoice Inc	BV	Big 4	Yes	No	4/30/2014	$ 168,145	$20,245(g)	$ 8,015.0	4600	$ -	$ -	$ -	The Company capitalizes certain development costs incurred in connection with its internal-use software. These capitalized costs are primarily related to its proprietary social commerce platform that is hosted by the Company and accessed by its clients on a subscription basis. Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, direct internal and external costs are capitalized until the software is substantially complete and ready for its intended use. Maintenance and training costs are expensed as incurred. Internal-use software development costs are amortized on a straight-line basis over its estimated useful life, generally three years, into cost of revenue.	We generally incur sales and marketing expenses related to the commissions owed to our sales representatives and make upfront investments in technology and personnel to support the engagements before we begin recognizing revenue from client contracts.
7	Benefitfocus Inc	BNFT	Big 4	Yes	No	12/31/2013	$ 104,752	$ 16,182	$ 2,751	$ 2,618	$ -	$ -	$ -	The Company capitalizes certain costs related to its software developed or obtained for internal use. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Internal and external costs incurred during the application development stage, including upgrades and enhancements representing modifications that will result in significant additional functionality, are capitalized. Software maintenance and training costs are expensed as incurred. Capitalized costs are recorded as part of property and equipment and are amortized on a straight-line basis over the software's estimated useful life. The Company evaluates these assets for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.	Sales commissions are expensed when the sales contract is executed by the customer

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SaaS Cost Capitalization Database

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8	Blackbaud, Inc.	BLKB	Big 4	Yes	Yes	12/31/2013	$ 503,817	$ 2,000	$ 3,197	$ 1,000	$ 20,088	$ 1,946	$ -	We incur certain costs associated with the development of internal-use software and software developed related to our cloud-based solutions, which are accounted for as internal-use software. The costs incurred in the preliminary stages of internal-use software development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Capitalized costs for internal-use software are recorded as part of computer software costs within property and equipment. Capitalized costs for software developed for our cloud-based solutions are recorded to other assets. Internal-use software is amortized on a straight line basis over its estimated useful life, which is generally three years. Although our development efforts are primarily focused on our cloud-based solutions, we also incur cost in connection with the development of certain of our software products licensed to customers on a perpetual basis, which are accounted for as costs of software to be sold, leased or otherwise marketed. Costs for the development of software to be sold are expensed as incurred until technological feasibility has been established, at which time such costs are capitalized until the product is available for general release to customers. Capitalized software development costs include direct labor costs and fringe benefit costs attributed to programmers, software engineers and quality control teams working on products after they reach technological feasibility but before they are generally available to customers for sale. Capitalized software development costs are typically amortized over the estimated product life on a straight-line basis, which is generally three years.	We pay sales commissions at the time contracts with customers are signed or shortly thereafter, depending on the size and duration of the sales contract. To the extent that these commissions relate to revenue not yet recognized, the amounts are recorded as deferred sales commission costs. Subsequently, the commissions are recognized as expense as the revenue is recognized.
9	Bottomline Technologies (de), Inc.	EPAY	Big 4	Yes	Yes	6/30/2013	$ 254,774	$ 1,500	$ 1,500	not disclosed	not disclosed	not disclosed	not disclosed	Capitalization of software development costs, other than software developed for internal use, which is discussed below, begins upon the establishment of technological feasibility. In the development of our products and our enhancements to existing products, technological feasibility is typically not established until substantially all product development is complete, including the development of a working model. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs requires considerable judgment by us with respect to certain external factors, including, but not limited to, technological feasibility, anticipated future gross revenues, estimated economic life, and changes in software and hardware technologies. We capitalize certain costs associated with internal use software, including software that we use in providing our hosted and cloud-based solutions, during the application development stage. We expense costs associated with preliminary project phase activities, training, maintenance and any post-implementation period costs as incurred.	We record commissions as a component of sales and marketing expense when earned by the respective salesperson. Excluding certain software licenses within our Banking Solutions segment, for which commissions are earned as revenue is recorded over the period of project performance, substantially all software commissions are earned in the month in which a customer order is received. Commissions associated with professional services are typically earned in the month that services are rendered. Commissions associated with post-contract customer support arrangements and subscription-based arrangements are typically earned when the customer is billed for the underlying contractual period. Commissions are normally paid within thirty days of the month in which they are earned.
10	Brightcove Inc	BCOV	Big 4	Yes	No	12/31/2013	$ 109,895	$ 8,473	$ 1,065.0	312	Not Disclosed	Not Disclosed	Not Disclosed	Capitalization begins when the preliminary project stage is complete, management, with the relevant authority, authorizes and commits to the funding of the software project, it is probable the project will be completed, the software will be used to perform the functions intended and certain functional and quality standards have been met. Qualified costs incurred during the operating stage of the Company's software applications relating to upgrades and enhancements are capitalized to the extent it is probable that they will result in added functionality, while costs that cannot be separated between maintenance of, and minor upgrades and enhancements to, internal-use software are expensed as incurred. These capitalized costs are amortized on a straight-line basis over the expected usefulof the software, which is estimated to be three years. Capitalized internal-use software development costs are classified as "Software" within "Property and Equipment, net" in the accompanying consolidated balance sheets. The Company capitalizes eligible computer software development costs upon achievement of technological feasibility subject to net realizable value considerations. Thereafter, software development costs are capitalized until the product is released and amortized to product cost of sales on a straight-line basis over the lesser of three years or the estimated economic lives of the respective products.	No discussion in footnotes
11	Broadridge Financial Solutions, Inc	BR	Big 4	Yes	No	6/30/2013	$ 2,430,800	not disclosed	not disclosed	not disclosed	$ -	$ -	$ -	Expenditures for major software purchases and software developed or obtained for internal use are capitalized and amortized over a three- to five-year period on a straight-line basis. For software developed or obtained for internal use, the Company capitalizes these costs in accordance with the provisions of ASC No. 350-40, "Internal Use Software." The Company's policy provides for the capitalization of external direct costs of materials and services associated with developing or obtaining internal use computer software. In addition, the Company also capitalizes payroll and payroll-related costs for employees who are directly associated with internal use computer software projects. The amount of capitalizable payroll costs with respect to these employees is limited to direct time spent on such projects. Costs associated with preliminary project stage activities, training, maintenance, and all other post-implementation stage activities are expensed as incurred. The Company also expenses internal costs related to minor upgrades and enhancements, as it is impractical to separate these costs from normal maintenance activities.	No discussion in footnotes
12	Callidus Software	CALD	Big 4	No	Yes	12/31/2013	$ 112,337	$ -	$ -	$ -	$ 3,400	not disclosed	not disclosed	No discussion in footnotes	Deferred costs are included in prepaid and other current assets with the remaining amounts included in deposits and other assets in the consolidated balance sheets. The deferred costs mainly represent commission payments to the Company's direct sales force for on-demand subscription and maintenance agreement, which the Company amortizes as sales and marketing expense over the non-cancellable term of the contract as the related revenue is recognized. The commission payments are a direct and incremental cost of the revenue arrangements.

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13	ChannelAdvisor Corp	ECOM	Big 4	Yes	No	12/31/2013	$ 68,004	$ 300	$ 300	$ 100	$ -	$ -	$ -	The Company capitalizes certain internal-use software development costs, consisting primarily of direct labor associated with creating the internally developed software and third-party consulting fees associated with implementing software purchased for internal use. Software development projects generally include three stages: the preliminary project stage (in which all costs are expensed as incurred), the application development stage (in which certain costs are capitalized) and the post-implementation/operation stage (in which all costs are expensed as incurred). The costs incurred during the application development stage primarily include the costs of designing the application, coding and testing of the system. Capitalized costs are amortized using the straight-line method over the estimated useful life of the software once it is ready for its intended use.	Sales and marketing expense consists primarily of salaries and personnel-related costs for our sales and marketing and customer support employees, including benefits, bonuses, stock-based compensation and commissions. We record expense for commissions at the time of contract signing. Additional expenses include marketing, advertising and promotional event programs, corporate communications and travel.
14	Citrix Systems, Inc.	CTXS	Big 4	Yes	Yes	12/31/2013	$ 2,918,434	$ 316,902	$ 57,677	$ 5,860	not disclosed	not disclosed	not disclosed	The authoritative guidance requires certain internal software development costs related to software to be sold to be capitalized upon the establishment of technological feasibility. The Company's software development costs incurred subsequent to achieving technological feasibility have not been significant and substantially all software development costs have been expensed as incurred. In accordance with the authoritative guidance, the Company capitalizes external direct costs of materials and services and internal costs such as payroll and benefits of those employees directly associated with the development of new functionality in internal use software and software developed related to its software as a service ("SaaS") offerings.	The Company capitalizes certain third-party commissions related to Subscription Advantage renewals. The capitalized commissions are amortized to Sales, marketing and services expense at the time the related deferred revenue is recognized as revenue.
15	Concur Technologies, Inc.	CNQR	National	Yes	Yes	9/30/2013	$ 545,800	$ 89,307	$ 13,092	not disclosed	not disclosed	not disclosed	not disclosed	We capitalize certain costs of software developed or obtained for internal use. We capitalize software development costs when application development begins, it is probable that the project will be completed, and the software will be used as intended. We expense costs associated with preliminary project stage activities, training, maintenance, and all other post-implementation stage activities as we incur these costs. Our policy provides for the capitalization of certain payroll, benefits, and other payroll-related costs for employees who are directly associated with internal-use computer software development projects, as well as external direct costs of materials and services associated with developing or obtaining internal-use software. We only capitalize personnel costs that relate directly to time spent on such projects.	We capitalize commission costs that are incremental and directly related to the acquisition of customer contracts. Capitalized commission costs are deferred until the associated services have been delivered or are amortized ratably over the expected lives of the customer relationships. Deferred commission costs are included in deferred costs and other assets on the consolidated balance sheets.
16	Constant Contact, Inc.	CTCT	Big 4	Yes	No	12/31/2013	$ 285,383	$ 7,411	$ 738	$ 4,575	$ -	$ -	$ -	Relative to development costs of its on-demand products and website, the Company capitalizes certain direct costs to develop functionality as well as certain upgrades and enhancements that are probable to result in additional functionality. The costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized as part of property and equipment until the software is substantially complete and ready for its intended use. Capitalized software is amortized over a three-year period in the expense category to which the software relates.	*Not discussed in footnotes*
17	Cornerstone OnDemand, Inc.	CSOD	Big 4	Yes	Yes	12/31/13	$ 185,129	$ 15,768	$ 7,900	$ 4,300	$ 22,800	$ 16,600	$ 15,500	We capitalize the costs associated with software developed or obtained for internal use, including costs incurred in connection with the development of our solutions, when the preliminary project stage is completed, management has decided to make the project a part of a future offering, and the software will be used to perform the function intended. These capitalized costs include external direct costs of materials and services consumed in developing or obtaining internal-use software, personnel and related expenses for employees who are directly associated with, and who devote time to, internal-use software projects and, when material, interest costs incurred during the development. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for upgrades and enhancements to our solutions are also capitalized. Post-configuration training and maintenance costs are expensed as incurred. Capitalized software costs are amortized to cost of revenue using the straight-line method over an estimated useful life of the software of typically three years, commencing when the software is ready for its intended use.	The Company defers commissions paid to its sales force because these amounts are recoverable from the future revenue from the non-cancelable client agreements that gave rise to the commissions. Commissions are deferred on the balance sheet and are amortized to sales and marketing expense over the term of the client agreement in proportion to the revenue that is recognized. Commissions are considered direct and incremental costs to client agreements and were generally paid in the periods the Company received payment from the client under the associated client agreement. Commencing in the fourth quarter of 2012, the Company pays commissions between 45 and 75 days after execution of the client agreement.
18	Cvent Inc	CVT	Big 4	Yes	No	12/31/2013	$ 111,136	$ 9,264	$ 7,144	$ 3,308	$ -	$ -	$ -	Costs to develop internal use software are capitalized and recorded as capitalized software in accordance with the provisions of FASB ASC Subtopic 350-40, *Intangibles-Goodwill and Other Subtopic 40 Internal-Use Software* on the balance sheet. These costs are amortized on a project-by-project basis using the straight-line method over the estimated economic life of the application, which is generally three years, beginning when the asset is substantially ready for use. Costs incurred during the preliminary development stage, as well as maintenance and training costs are expensed as incurred.	Sales commissions are the costs directly associated with obtaining platform subscription and marketing solutions contracts with customers and consist of commissions paid to the Company's direct sales force and other marketing partners. Sales commissions are expensed when incurred as a component of sales and marketing expense and are generally paid one month in arrears. Commissions incurred, but not paid, are included in accrued expenses in the accompanying consolidated balance sheets. Sales commissions paid are subject to a claw back provision in the event a customer contract is cancelled in proportion to the remaining contract period at the date of cancellation and are recorded net of estimated claw backs in sales and marketing expense. Amounts charged back have not been material to the Company's results of operations.
19	Daegis, Inc.	DAEG	Regional	No	No	4/30/2014	$ 30,958	$ -	$ -	-	$ -	$ -	$ -	Under the criteria set forth in Financial Accounting Standards Board ("FASB") guidance on accounting for the costs of computer software to be sold, leased or otherwise marketed, capitalization of software development costs begins upon the establishment of technological feasibility of the product. With respect to our software development process, technological feasibility is established upon completion of a working model. To date, our products have been released shortly after reaching technological feasibility. Therefore, development costs incurred after completion of a working model and prior to general release have not been significant. Accordingly, no software development costs have been capitalized to date.	No discussion in footnotes
20	Datawatch Corporation	DWCH	National	Yes	No	09/30/2013	$ 30,296	$ 350	$ 440	$ 120	$ -	$ -	$ -	The Company capitalizes certain software development costs as well as purchased software upon achieving technological feasibility of the related products. Software development costs incurred and software purchased prior to achieving technological feasibility are charged to engineering and product development expense as incurred. Commencing upon initial product release, capitalized costs are amortized to cost of software licenses using the straight-line method over the estimated life of the product (which approximates the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product), which is generally 4 to 24 months.	No discussion in footnotes

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21	DealerTrack Technologies Inc	TRAK	Big 4	Yes	No	12/31/2013	$ 481,534	$ 62,513	$ 62,500	$ 19,100	$ -	$ -	$ -	We capitalize costs of materials, consultants, and payroll and payroll-related costs incurred by team members involved in developing internal use computer software. Costs incurred during the preliminary project and post-implementation stages are charged to expense. Software and website development costs are amortized on a straight-line basis over estimated useful lives. Capitalized costs are generally amortized over two years except platform updates which are amortized over five years and costs related to our SAP ERP implementation and salesforce.com implementation which are amortized over seven years. We perform periodic reviews to ensure that unamortized software and website costs remain recoverable from future revenue.	No discussion in footnotes
22	Demandware Inc	DWRE	Big 4	Yes	No	12/31/2013	$ 103,736	$ 600	$ 200	$ 200	$ -	$ -	$ -	Software development costs associated with internal use software are capitalized when the preliminary project stage is completed, management has decided to make the project a part of its future offering, and the software will be used to perform the function intended. These capitalized costs include external direct costs of services consumed in developing or obtaining internal-use software, personnel and related expenses for employees who are directly associated with and who devote time to internal-use software projects. Capitalization of these costs cease once the project is substantially complete and the software is ready for its intended purpose. Post-configuration training and maintenance costs are expensed as incurred. Capitalized internal use software costs are amortized to cost of revenue using a straight-line method over its estimated useful life of four years, commencing when the software is ready for its intended use.	The Company recognizes commission expense related to subscriptions in the period in which the contract is signed
23	E2open	EOPN	Big 4	Yes	No	2/28/2014	$ 71,241	$ 2,000	$ 500	$ 1,400	$ -	$ -	$ -	The Company capitalizes the costs of software used internally in its operations, primarily for the delivery of its cloud-based on-demand software solutions. Such capitalized costs are included in property and equipment for perpetual licenses with a useful life greater than one year, and in prepaid expenses and other current assets for term licenses.	Sales commissions are expensed as incurred, and included in sales and marketing expense in the consolidated statements of operations.
24	eGain Corp	EGAN	Regional	No	Yes	6/30/2013	$ 58,889	$ -	$ -	$ -	$ 2,521	$ 2,564	$ 1,641	We account for software development costs in accordance with ASC 985, *Software* , for costs of the software to be sold, leased or marketed, whereby costs for the development of new software products and substantial enhancements to existing software products are included in research and development expense as incurred until technological feasibility has been established, at which time any additional costs are capitalized. Technological feasibility is established upon completion of a working model. To date, software development costs incurred in the period between achieving technological feasibility and general availability of software have not been material and have been charged to operations as incurred.	On July 1, 2012, we made a voluntary change to our accounting policy for sales commissions related to new cloud contracts with customers, from recording an expense when incurred to deferral and amortization of the sales commission in proportion to the revenue recognized over the term of the contract. Deferred commissions are the direct and incremental costs directly associated with cloud contracts with customers and consist of sales commissions to our direct sales force. The commissions are deferred and amortized over the terms of the related customer contracts, which are typically one or two years. The commission payments are paid based on contract terms in the month following the quarter in which the commissions are earned. The deferred commission amounts are recognized as sales and marketing expense in the consolidated statements of operations over the terms of the related customer contracts, in proportion to the recognition of the associated revenue.
25	Ellie Mae, Inc.	ELLI	National	Yes	Yes	12/31/2013	$ 128,481	$ 10,018	$ 5,000	not disclosed	$ 552	not disclosed	not disclosed	The Company capitalizes internal and external costs incurred to develop internal-use software and website applications. Capitalized internal costs include salaries, benefits and stock-based compensation charges for employees that are directly involved in developing the software or website application, and depreciation of assets used in the development process. Capitalized external costs include third-party consultants involved in the development process, as well as other direct costs incurred as part of the development process. Capitalization of costs begins when the preliminary project stage is completed, and management authorizes and commits to funding a project and it is probable that the project will be completed and the software or website application will be used to perform the function intended. Internal and external costs incurred as part of the preliminary project stage are expensed as incurred. Capitalization ceases at the point at which the project is substantially complete and ready for its intended use, after all substantial testing is completed. Internal and external training costs and maintenance costs during the post-implementation operation stage are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life, generally three years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. The capitalized costs are included in “Property and equipment, net” in the accompanying consolidated balance sheets.	Deferred commission expenses are the incremental costs that are directly associated with non-cancelable subscription contracts with customers and consist of sales commissions paid to our direct sales force. Commissions are calculated based on a percentage of the revenues for the non-cancelable term of subscription contracts, which are typically one to five years. Prior to 2013, commissions were paid and recognized as sales expense when customer payments for contracted services were received on a monthly basis because commissions were earned based on receipt of customer payments. In 2013, we amended our commission plans to provide for payment after the customer's contract is signed. As a result of the change in commission plans, beginning in 2013, commission expense is deferred and amortized to sales expense over the non-cancelable terms of the related subscription contracts. The deferred commission expense amounts are recoverable through the future revenue streams under the non-cancelable customer contracts. The new plans also include claw back provisions, which require repayment of a proportionate amount of commissions, should customers cancel their contracts prior to the end of the initial contractual term.
26	EMC	EMC	Big 4	Yes	No	12/31/2013	$ 21,713,902	not disclosed	$ 419,079	$ 398,000	$ -	$ -	$ -	Material software development costs incurred subsequent to establishing technological feasibility through the general release of the software products are capitalized. Technological feasibility is demonstrated by the completion of a detailed program design or working model, if no program design is completed. GAAP requires that annual amortization expense of the capitalized software development costs be the greater of the amounts computed using the ratio of gross revenue to a products’ total current and anticipated revenues, or the straight-line method over the products’ remaining estimated economic life. Capitalized costs are amortized over periods ranging from eighteen months to two years which represents the products’ estimated economic life.	no discussion in footnotes
27	Financial Engines, Inc.	FNGN	Big 4	Yes	Yes	12/31/2013	$ 238,958	$ 4,323	$ (1,066)	$ 6,007	$ 1,523	not disclosed	$ 1,869	Certain direct development costs associated with internal use software are capitalized and include external direct consulting costs and payroll costs for employees devoting time to the software projects principally related to software coding, designing system interfaces and installation and testing of the software. Internal use software includes engineering costs associated with (1) enhancing the Company’s advisory service platform and (2) developing internal systems for tracking member data, including AUM, member cancellations and other related member statistics. The capitalized costs are amortized using the straight-line method over an estimated life of approximately two to four years, beginning when the asset is substantially ready for use. Costs related to preliminary project activities and post implementation activities are expensed as incurred. A portion of internal use software relates to cost of revenue, as well as the Company’s other functional departments. However the Company is not able to meaningfully allocate the costs among cost of revenue and operations. Accordingly, amortization is presented as a separate line item on the accompanying Consolidated Statements of Income.	Deferred sales commissions consist of incremental costs paid to the Company’s sales force associated with the execution of non-cancelable customer contracts. The deferred sales commission amounts are recoverable through future revenue streams under the non-cancelable customer contracts. The Company believes this is the preferable method of accounting as the commission charges are so closely related to the revenue from the non-cancelable customer contracts that they should be recorded as an asset and charged to expense over the life of the related non-cancelable customer contracts, which is typically three to five years. Amortization of deferred sales commissions is included in marketing and sales expense in the accompanying Consolidated Statements of Income.

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28	FleetMatics Group PLC	FLTX	Big 4	Yes	Yes	12/31/2013	$ 133,492	$ 3,192	$ 2,225	$ 482	$ 11,747	$ 8,945	$ 6,119	Capitalization ceases upon completion of all substantial testing performed to ensure the product is ready for its intended use. The Company also capitalizes costs related to specific upgrades and enhancements of this application software when it is probable that the expenditures will result in additional functionality. Maintenance and training costs are expensed as incurred. Capitalized internal-use software costs are recorded as part of property and equipment and are amortized on a straight line basis over an estimated useful life of three years.	The Company capitalizes commission costs that are incremental and directly related to the acquisition of customer contracts. The Company pays commissions in full when it receives the initial customer payment for a new subscription or a renewal subscription. Commission costs are capitalized upon payment and are amortized as expense ratably over the term of the related non-cancelable customer contract, in proportion to the recognition of the subscription revenue. If a subscription agreement is terminated, the unamortized portion of any deferred commission cost is recognized as expense immediately.
29	Guidewire Software Inc	GWRE	Big 4	No	No	07/31/2013	$ 300,649	$ -	$ -	$ -	$ -	$ -	$ -	Certain software development costs incurred subsequent to the establishment of technological feasibility are subject to capitalization and amortized over the estimated lives of the related products. Technological feasibility is established upon completion of a working model. ThroughJuly 31, 2013, costs incurred subsequent to the establishment of technological feasibility have been immaterial, and therefore, all software development costs have been charged to research and development expense in the accompanying consolidated statements of operations as incurred.	Sales commissions are recognized as an expense when earned by the sales representative, generally occurring at the time the customer order is signed. Substantially all of the effort by the sales force is expended through the time of closing the sale, with limited to no involvement thereafter.
30	HealthStream, Inc.	HSTM	Big 4	Yes	No	12/31/2013	$ 132,274	$ 11,077	$ 4,267	not disclosed	$ -	$ -	$ -	Capitalized software development is stated on the basis of cost, and is presented net of accumulated amortization. The Company capitalizes costs incurred during the software development phase for projects when such costs are material. These assets are amortized using the straight-line method, generally ranging between one to five years. Maintenance and operating costs are expensed as incurred.	No discussion in footnotes
31	Hewlett Packard	HPQ	Big 4	No	No	10/31/2013	$ 112,298,000	$ -	$ -	$ -	$ -	$ -	$ -	HP capitalizes costs incurred to acquire or develop software for resale subsequent to the software product establishing technological feasibility, if significant. HP amortizes capitalized software development costs using the greater of the straight-line amortization method or the ratio that current gross revenues for a product bear to the total current and anticipated future gross revenues for that product. The estimated useful lives for capitalized software for resale are generally three years or less. Software development costs incurred subsequent to a product establishing technological feasibility are usually not significant. In those instances, HP expenses such costs as incurred.	No discussion in footnotes
32	Imperva	IMPV	Big 4	No	No	12/31/2013	$ 137,759	$ -	$ -	$ -	$ -	$ -	-	The costs to develop software for sale have not been capitalized as the Company believes that the technological feasibility of the related software is not established until substantially all product development is complete.	No discussion in footnotes
33	Incontact Inc	SAAS	Big 4	Yes	No	12/31/2013	$ 130,037	$ 29,102	$ 12,600	$ 5,000	$ -	$ -	$ -	We capitalize certain costs incurred for the development of internal use software, which are included as internal use software in property and equipment in the consolidated balance sheets. These costs include the costs associated with coding, software configuration, upgrades and enhancements that are incurred during the application development stage. These costs, net of accumulated amortization, totaled $12.6 million and $9.4 million as of December 31, 2013 and 2012, respectively. Amortization of capitalized software costs was $5.0 million in 2013, $4.1 million in 2012 and $3.0 million in 2011.	No discussion in footnotes
34	Informatica Corp.	INFA	Big 4	No	No	12/31/2013	$ 948,171	$ -	$ -	$ -	$ -	$ -	$ -	The Company accounts for software development costs in accordance with ASC 985-20, Costs of Software to Be Sold, Leased, or Marketed. Software development costs are expensed as incurred until the establishment of technological feasibility, at which time those costs are capitalized until the product is available for general release to customers and amortized over the estimated life of the product. Technological feasibility is established upon completion of a working model. To date, costs incurred subsequent to the establishment of technological feasibility have not been significant, and all software development costs have been charged to research and development expense in the accompanying consolidated statements of income.	No discussion in footnotes
35	Interactive Intelligence Group Inc	ININ	Big 4	Yes	No	12/31/2013	$ 318,234	not disclosed	$ 3,600	not disclosed	$ -	$ -	$ -	The Company capitalizes costs related to its next generation cloud communication platform and certain projects for internal use in accordance with FASB ASC 350-40, Internal Use Software. Once a solution has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. The capitalization of costs ceases upon completion of all substantial testing. Costs incurred in the preliminary stages of development, maintenance and training costs are expensed as incurred. The Company will continue to capitalize development costs related to this project and will begin amortizing such costs once the software is ready for production.	No discussion in footnotes
36	Intralinks Holdings, Inc.	IL	Big 4	Yes	No	12/31/2013	$ 234,496	$ 32,341	$ 20,495	not disclosed	$ -	$ -	$ -	The Company accounts for the cost of computer software developed or obtained for internal use of its application service by capitalizing qualifying costs, which are incurred during the application development stage and amortizing them over the software's estimated useful life. Costs incurred in the preliminary and post-implementation stages of the Company's products are expensed as incurred. The amounts capitalized include external direct costs of services used in developing internal-use software, payroll and payroll-related costs of employees directly associated with the development activities and interest. The Company amortizes capitalized software over the expected period of benefit, which is three years, beginning when the software is ready for its intended use. Software development costs are evaluated for recoverability whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.	Commissions payable to the Company's sales staff are expensed in the period the related sales efforts are performed. Sales commission expense is included within "Sales and marketing" in the Consolidated Statements of Operations.
37	Intuit Inc.	INTU	Big 4	Yes	No	7/31/2013	$ 4,171,000	not disclosed	not disclosed	not disclosed	$ -	$ -	$ -	We capitalize costs related to computer software obtained or developed for internal use. Software obtained for internal use has generally been enterprise-level business and finance software that we customize to meet our specific operational needs. Software developed for internal use has generally been used to deliver hosted services to our customers. Costs incurred in the application development phase are capitalized and amortized over their useful lives, which are generally three to five years.	No discussion in footnotes
38	J2 Global Communications, Inc.	JCOM	Regional	No	No	12/31/2013	$ 520,801	$ -	$ -	$ -	$ -	$ -	$ -	Costs for software development incurred subsequent to establishing technological feasibility, in the form of a working model, are capitalized and amortized over their estimated useful lives. To date, software development costs incurred after technological feasibility has been established have not been material.	No discussion in footnotes

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39 Jive Software Inc	JIVE	Big 4	Yes	No	12/31/2013	$ 145,763	$ -	$ 3,100	$ -	$ -	$ -	$ -	We capitalize costs to develop internal-use software during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Capitalized software is included in property and equipment and is depreciated over the useful life when placed in service. Management evaluates the useful lives of these assets and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.	Commissions are recorded as a component of sales and marketing expenses and consist of the variable compensation paid to our direct sales force. Generally, sales commissions are earned and recorded as an expense at the time that a customer has entered into a binding purchase agreement. Commissions paid to sales personnel are recoverable only in the case that we cannot collect against any invoiced fee associated with a sales order.
40 Liveperson, Inc.	LPSN	National	Yes	No	12/31/2013	$ 177,805	not disclosed	$ 2,600	not disclosed	$ -	$ -	$ -	In accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”)350-40, Internal-Use Software, the Company capitalizes its costs to develop its internal use software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and its probably that the project will be completed and the software will be used as intended. These costs included in property and equipment in the Company's Consolidated balance sheets and are amortized on a straight-line basis over the estimated useful life of the related asset, which approximates three years. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred.	No discussion in footnotes
41 LogMeIn, Inc.	LOGM	Big 4	Yes	No	12/31/2013	$ 119,461	$ 2,485	$ 1,203	$ 507	$ -	$ -	$ -	The Company has determined that technological feasibility of its software products that are sold as a perpetual license is reached shortly before their introduction to the marketplace. As a result, development costs incurred after the establishment of technological feasibility and before their release to the marketplace have not been material and such costs have been expensed as incurred. The Company capitalizes certain direct costs to develop functionality as well as certain upgrades and enhancements of its on-demand products that are probable to result in additional functionality. The costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized as part of intangible assets until the software is substantially complete and ready for its intended use. Internally developed software costs that are capitalized are classified as intangible assets and amortized over a three year period in the expense category to which the software relates.	No discussion in footnotes
42 Lyris, Inc.	LYRI	Regional	Yes	No	6/30/2013	$ 36,184	not disclosed	$ 4,070	$ 1,617	$ -	$ -	$ -	We expense internal costs incurred in researching and developing computer software products designed for sale or licensing until technological feasibility has been established for the product. Once technological feasibility is established, applicable development software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. We determined that technological feasibility is established when we have completed all necessary planning and designing and after it has resolved all high-risk development issues through coding and testing. Moreover, these activities are necessary to establish that the product can meet our design specifications including functions, features and technical performance requirements. We discontinue capitalization when the product is available for general release to customers. We capitalize the direct costs associated with the software we develop for use in providing software-as-a-service to our customers during our application development stage. The types of activities performed during the application development stage create probable future economic benefits. Once the software is available for use in providing services to customers, we amortize the capitalized amount over three years with the amortization charged to cost of revenues. We expense activities performed during the preliminary project stage which are analogous to research and development activities. In addition, we expense the types of activities performed during the post-implementation / operation stage	Significant selling activity in a quarter may result in little incremental recognized revenue and customer cash receipts during that quarter, but results in the recognition of related commissions and sales and company bonuses due to immediate expense recognition.
43 Manhattan Associates, Inc.	MANH	Big 4	No	No	12/31/2013	$ 414,518	$ -	$ -	$ -	Not Disclosed	Not Disclosed	Not Disclosed	Research and development expenses are charged to expense as incurred. For the years ended December 31, 2013, 2012, and 2011, the Company did not capitalize any internal research and development costs because the costs incurred between the attainment of technological feasibility for the related software product through the date when the product was available for general release to customers have been insignificant. The Company determines the amount of development costs capitalizable under the provisions of FASB Codification accounting for costs of computer software to be sold, leased, or marketed. Under this guidance, computer software development costs are charged to R&D expense until technological feasibility is established, after which remaining software production costs are capitalized.	No discussion in footnotes
44 Marin Software Inc	MRIN	Big 4	Yes	No	12/31/2013	$ 77,315	$ 7,690	$ 3,126	$ 1,156	$ -	$ -	$ -	Costs incurred in the development phase are capitalized and amortized over the product’s estimated useful life, which is three years. The Company expenses all costs incurred that relate to planning and post implementation phases of development. Capitalized costs related to internal use software under development are treated as construction in progress until the program, feature or functionality is ready for its intended use, at which time amortization commences. . Amortization of internal use software is reflected in cost of revenues. Costs associated with minor enhancements and maintenance are expensed as incurred.	Sales and marketing expenses include personnel costs, sales commissions and other costs including travel and entertainment, marketing and promotional events, public relations, marketing activities, professional fees and allocated overhead. All of these costs are expensed as incurred, including sales commissions. Our commission plans provide that payment of commissions to our sales representatives are paid based on the actual amounts we invoice customers over a period that is generally between five to seven months following the execution of the applicable customer contract.
45 Marketo Inc	MKTO	Big 4	Yes	No	12/31/2013	$ 95,918	Not Disclosed	$ 478	$ 166	$ -	$ -	$ -	Research and development costs incurred during the preliminary project stage or costs incurred for data conversion activities, training, maintenance and general and administrative or overhead costs are expensed as incurred. Capitalization begins when the preliminary project stage is complete, management with the relevant authority authorizes and commits to the funding of the software project, it is probable the project will be completed, and the software will be used to perform the functions intended and certain functional and quality standards have been met. Capitalized software development costs are generally amortized on a straight-line basis over the technology's estimated useful life of approximately three years. Costs incurred during the operating stage of our software applications relating to upgrades and enhancements that are essentially maintenance or do not have a useful life longer than one year are not capitalized. Costs that cannot be separated between maintenance of, and minor upgrades and enhancements to, internal-use software are expensed as incurred.	Sales and marketing commissions are recognized as an expense generally at the time the customer order is signed. Substantially all of the effort by the sales and marketing organization is expended through the time of closing the sale with limited or no involvement thereafter. Commissions paid are subject to clawback by the Company in the event the customer fails to make payment on the agreement.

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46	Medidata Solutions Inc	MDSO	Big 4	No	NO	12/31/2013	$ 276,849	$ -	$ -	$ -	$ -	$ -	$ 11,000	Costs incurred in the research and development of new software solutions and enhancements to existing software solutions are expensed as incurred under ASC 730, Research and Development. Internally developed software costs are capitalized under ASC 985-20, Software—Costs of Software to Be Sold, Leased, or Marketed, when technological feasibility is reached which is not until a working model is developed, and the functionality is tested and determined to be compliant with all federal and international regulations. As such, no internally developed software costs have been capitalized during 2013, 2012 or 2011.	For arrangements where revenue is recognized over the relevant contract period, the Company capitalizes related sales commissions that have been paid and recognizes these expenses over the period the related revenue is recognized. Commissions are payable to the Company's sales representatives upon payment from the customer. Prepaid commissions that will be recognized during the subsequent 12-month period are recorded as current prepaid commissions and the remaining portion included in other noncurrent assets.
47	NetApp Inc.	NTAP	Big 4	Yes	No	4/25/2014	$ 637,500	not disclosed	not disclosed	not disclosed	$ -	$ -	$ -	The costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized in accordance with the accounting guidance for software. Because our current process for developing software is essentially completed concurrently with the establishment of technological feasibility, which occurs upon the completion of a working model, no costs have been capitalized for any of the periods presented. Internal-Use Software Development Costs — We capitalize qualifying costs, which are incurred during the application development stage, for computer software developed or obtained for internal-use and amortize them over the software's estimated useful life.	No discussion in footnotes.
48	Netsuite Inc.	N	Big 4	Yes	Yes	12/31/2013	$ 414,508	not disclosed	$ 3,200	$ 1,600	$ 46,592	$ 70,000	$ 55,000	The Company capitalizes certain development costs incurred in connection with its internal use software and website. These capitalized costs are primarily related to the integrated business management application suite that is hosted by the Company and accessed by its customers on a subscription basis. Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Capitalized costs are recorded as part of property and equipment. Maintenance and training costs are expensed as incurred. Internal use software is amortized on a straight line basis over its estimated useful life, generally three years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.	The Company capitalizes commission costs that are incremental and directly related to the acquisition of customer contracts. Commission costs are accrued and capitalized upon execution of the sales contract by the customer. Payments to partners and sales personnel are made shortly after the receipt of the related customer payment. Deferred commissions are amortized over the term of the related non-cancelable customer contract and are recoverable through the related future revenue streams.
49	OpenTable Inc	OPEN	Big 4	Yes	No	12/31/2013	$ 190,050	$ 21,413	$ 11,355	$ 5,535	Not Disclosed	Not Disclosed	Not Disclosed	Costs related to website and internal-use software development are accounted for in accordance with ASC Topic 350-50—Intangibles—Website Development Costs. Such software is primarily related to the Company's websites and mobile apps, including support systems. The Company begins to capitalize its costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. Costs incurred prior to meeting these criteria are expensed as incurred and recorded within Technology expenses within the accompanying consolidated income statements. Capitalized costs are amortized on a straight-line basis over the estimated useful life of the related asset, generally estimated between two to three years.	No discussion in footnotes
50	Oracle Corporation	ORCL	Big 4	No	No	5/31/2014	$ 38,275,000	$ -	$ -	$ -	$ -	$ -	$ -	Software development costs required to be capitalized under ASC 985-20, *Costs of Software to be Sold, Leased or Marketed,* and under ASC 350-40, *Internal-Use Software,* were not material to our consolidated financial statements in fiscal 2013, 2012 and 2011.	We defer sales commission expenses associated with our cloud SaaS, PaaS and IaaS offerings, and recognize the related expenses over the non-cancelable term of the related contracts, which are typically one to three years. Amortization of deferred sales commissions is included as a component of sales and marketing expense in our consolidated statements of operations.
51	Park City Group, Inc.	PCYG	Regional	Yes	No	6/30/2013	$ 11,319	$ 73	not disclosed	$ 146	$ -	$ -	$ -	The Company accounts for research costs of computer software to be sold, leased or otherwise marketed as expense until technological feasibility has been established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. We have determined that technological feasibility for our software products is reached shortly after a working prototype is complete and meets or exceeds design specifications including functions, features, and technical performance requirements. Costs incurred after technological feasibility is established have been and will continue to be capitalized until such time as when the product or enhancement is available for general release to customers.	No discussion in footnotes.
52	Proofpoint Inc	PFPT	Big 4	Yes	No	12/31/2013	$ 137,931	$ 400	$ 159	$ 159	$ -	$ -	$ -	The Company capitalized software development costs of $400 for the year ended December 31, 2011. Amortization of capitalized software development costs was approximately $159, $200 and $41 for the years ended December 31, 2013, 2012 and 2011, respectively. Capitalized software development costs were fully amortized as of December 31, 2013.	Sales and marketing expenses include personnel costs, sales commissions, and other costs including travel and entertainment, marketing and promotional events, public relations and marketing activities. All of these costs are expensed as incurred, including sales commissions.
53	PROS Holdings, Inc.	PRO		Yes	No	12/31/2013	$ 144,837	$ 5,064	$ 3,051	not disclosed	$ -	$ -	$ -	Costs incurred to develop internal-use software during the application development stage are capitalized, stated at cost, and depreciated using the straight-line method over the estimated useful lives of the assets. Application development stage costs generally include salaries and personnel costs and third party contractor expenses associated with internal-use software configuration, coding, installation and testing. Capitalized internal-use software is included in property and equipment, net in the Consolidated Balance Sheets.	No discussion in footnotes.
54	Qlik Technologies Inc.	QLIK	Big 4	No	No	12/31/2013	$ 470,450	$ -	$ -	$ -	$ -	$ -	$ -	Software development costs are generally expensed as incurred until technological feasibility has been established, at which time such costs are capitalized to the extent that the capitalizable costs do not exceed the realizable value of such costs, until the product is available for general release to customers. Based on the Company's product development process, technological feasibility is established upon the completion of a working model of the software product that has been tested to be consistent with the product design specifications and that is free of any uncertainties related to high-risk development issues. Costs incurred by the Company between completion of the working model and the point at which the product is ready for general release have been insignificant. Accordingly, the Company generally charges all such costs to research and development expense in the accompanying consolidated statements of operations.	The Company records commission expense related to license sales in the period in which the sale is made. For arrangements that consist solely of professional services, commission expense is recorded in the period in which the professional services have been rendered

SaaS Cost Capitalization Database

	Company	Ticker	Auditor	Capitalize Software or Website Development Costs?	Capitalize Commissions?	YE Date	Revenues, Current Year (CY)	Software Development Costs Capitalized on Balance Sheet (BS)	Software Development Costs Capitalized (CY)	Amortization Expense of Software Development Costs (CY)	NET Commissions Capitalized (BS)	Commissions Capitalized (CY) aka Deferred Commissions	Commissions Amortized (CY)	Notes on Capitalization of Software Development	Notes on Capitalization of Commissions
55	Qualys Inc	QLYS	National	Yes	No	12/31/2013	$ 107,962	$ 400	$ 300	$ 300	$ -	$ -	$ -	The Company capitalizes qualifying software costs developed or obtained for internal use. These costs generally include internal costs, such as payroll and benefits of those employees directly associated with the development of the software. Total capitalized development costs are $0.3 million at December 31, 2013 and 2012. The capitalized development costs are recorded within other noncurrent assets and were fully amortized at December 31, 2013 and 2012.	Because we expense commissions associated with sales of our solutions immediately upon receipt of a subscription order from a customer and generally recognize the revenues associated with such sale over the term of the agreement, our operating income in any period may not be indicative of our financial health and future performance. We expense commissions paid to our sales personnel in the quarter in which the related order is received.
56	Rally Software Development Corp	RALY	Big 4	Yes	No	01/31/2014	$ 74,329	Not Disclosed	$ 100	$ -	$ -	$ -	$ -	ASC 350-40, *Internal-Use Software* , contains the following provisions: (1) preliminary project costs are expensed as incurred; (2) all costs associated with the development of the application are to be capitalized; and (3) all costs associated with the post-implementation operation of the software shall be expensed as incurred.	Commissions are recorded as a component of sales and marketing expense and consist of the variable compensation paid to our sales force. Sales commissions are earned and recorded at the time that a customer has entered into a binding purchase agreement.
57	Realpage, Inc.	RP	Big 4	Yes	No	12/31/2013	$ 377,022	$ 7,600	$ 4,200	$ 1,000	$ -	$ -	$ -	We capitalize specific product development costs, including costs to develop software products or the software components of our solutions to be marketed to external users, as well as software programs to be used solely to meet our internal needs. The costs incurred in the preliminary stages of development related to research, project planning, training, maintenance and general and administrative activities, and overhead costs are expensed as incurred. The costs of relatively minor upgrades and enhancements to the software are also expensed as incurred. Once an application has reached the development stage, internal and external costs incurred in the performance of application development stage activities, including costs of materials, services and payroll and payroll-related costs for employees, are capitalized, if direct and incremental, until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Capitalized costs are recorded as part of property and equipment. Internal use software is amortized on a straight-line basis over its estimated useful life, generally three to five years.	No discussion in footnotes.
58	Red Hat, Inc.	RHT	Big 4	Yes	Yes	2/28/2014	$ 1,534,615	$ 112,348	$ 3,704	not disclosed	$ 80,987	$ 18,828	not disclosed	The Company capitalizes costs related to the development of internal use software for its website, enterprise resource planning system and systems management applications. The Company amortizes the costs of computer software developed for internal use on a straight-line basis over an estimated useful life of five years. The carrying value of internal use software is included in property and equipment on the Company's Consolidated Balance Sheets. Capitalization of software development costs for products to be sold to third parties begins upon the establishment of technological feasibility and ceases when the product is available for general release. As a result of the Company's practice of releasing source code that it has developed on a weekly basis for unrestricted download on the Internet, there is generally no passage of time between achievement of technological feasibility and the availability of the Company's product for general release. Therefore, at February 28, 2014 and February 28, 2013, the Company had no internally developed capitalized software costs for products to be sold to third parties.	Deferred commissions are the incremental costs that are directly associated with non-cancelable subscription contracts with customers and consist of sales commissions paid to the Company's sales force. The commissions are deferred and amortized over a period that approximates the period of the subscription term. The commission payments are paid in full subsequent to the month in which the customer's service commences. The deferred commission amounts are recoverable through the future revenue streams under the non-cancelable customer contracts. In addition, the Company has the ability and intent under the commission plans with its sales force to recover commissions previously paid to its sales force in the event that customers breach the terms of their subscription agreements and do not fully pay for their subscription agreements. Deferred commissions are included in prepaid expenses on the accompanying Consolidated Balance Sheets. Amortization of deferred commissions is included in sales and marketing expense in the accompanying Consolidated Statements of Operations.
59	Responsys, Inc.	MKTG	Big 4	No	No	12/31/2013	$ 162,824	$ 4,764	$ 1,800	$ 600	$ -	$ -	$ -	Costs incurred in connection with the development of the Company's on-demand software solution and the project to implement a new ERP system are accounted for in accordance with ASC 350-50, *Website Development Costs,* and ASC 350-40, *Internal-use Software* . All costs incurred in the preliminary project and post-implementation stages are expensed as incurred, and certain costs incurred in the development stage of the project are capitalized if certain criteria are met. Once the software is available for general release, the capitalized costs are amortized over the expected useful life of the software on a straight-line basis. The Company currently estimates a useful life of five years with respect to its capitalized software.	We generally expense sales commissions when the customer contract is signed because our obligation to pay a sales commission arises at that time.
60	RingCentral Inc	RNG	Big 4	Yes	No	12/31/2013	$ 160,505	$ 4,636	$ 1,300	$ 2,300	$ -	$ -	$ -	We capitalize internal-use software development costs related to our SaaS applications that are incurred during the application development stage provided that it is probable the project will be successfully completed and such costs will be recovered from future revenues. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life starting when the underlying project is ready for its intended use, generally three to four years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.	Commissions consist of variable compensation earned by sales personnel and third-party resellers. Sales commissions associated with the acquisition of a new customer contract are recognized as sales and marketing expense at the time the customer has entered into a binding agreement.
61	Salesforce.com, Inc.	CRM	Big 4	Yes	Yes	1/31/2014	$ 4,071,003	$ 72,915	$ 13,268	$ 29,239	$ 324,930	$ 70,537	$ 39,735	The Company capitalizes costs related to its enterprise cloud computing services and certain projects for internal use incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal-use software is amortized on a straight line basis over its estimated useful life. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.	Deferred commissions are the incremental costs that are directly associated with non-cancelable subscription contracts with customers and consist of sales commissions paid to the Company's direct sales force. The commissions are deferred and amortized over the non-cancelable terms of the related customer contracts, which are typically 12 to 36 months. The commission payments are paid in full the month after the customer's service commences. The deferred commission amounts are recoverable through the future revenue streams under the non-cancelable customer contracts. The Company believes this is the preferable method of accounting as the commission charges are so closely related to the revenue from the non-cancelable customer contracts that they should be recorded as an asset and charged to expense over the same period that the subscription revenue is recognized. Amortization of deferred commissions is included in marketing and sales expense in the accompanying consolidated statements of operations.

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62	Scientific Learning Corp	SCIL	Regional	Yes	No	12/31/2013	$ 28,143	not disclosed	$ 400	$ 200	$ -	$ -	$ -	The Company capitalizes certain software development costs incurred subsequent to the establishment of technological feasibility and amortizes those costs over the estimated lives of the related products. The annual amortization is computed using the straight-line method over the remaining estimated economic life of the product. Technological feasibility is established upon completion of a working model. The Company also capitalizes costs related to internal use software and website application, infrastructure development and content development costs. Costs related to preliminary project activities and post implementation activities were expensed as incurred. Internal-use software is amortized on a straight line basis over its estimated useful life, generally three years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.	No discussion in footnotes.
63	Selectica, Inc.	SLTC	Regional	Yes	No	3/31/12014	$ 17,559	$ 900	not disclosed	$ 10	$ -	$ -	$ -	Software development costs incurred prior to the establishment of technological feasibility are included in research and development expenses. The Company defines establishment of technological feasibility as the completion of a working model. Software development costs incurred subsequent to the establishment of technological feasibility through the period of general market availability of the products are capitalized, if material, after consideration of various factors, including net realizable value.	No discussion in footnotes.
64	ServiceNow Inc	NOW	Big 4	Yes	Yes	12/31/2013	$ 424,650	Not Disclosed	$ 928	Not disclosed	$ 52,441	$ 55,530	$ 29,364	Costs incurred to develop our internal administration, finance and accounting systems are capitalized during the application development stage and amortized over the software's estimated useful life of three to five years. Construction in progress consists primarily of in-process software development costs.	Deferred commissions are the incremental selling costs that are directly associated with our non-cancelable subscription contracts with customers and consist of sales commissions paid to our direct sales force and referral fees paid to independent third-parties. The majority of commissions and referral fees are deferred and amortized on a straight-line basis over the non-cancelable terms of the related customer contracts. We include amortization of deferred commissions in sales and marketing expense in the consolidated statements of comprehensive income (loss).
65	SolarWinds, Inc.	SWI	Big 4	Yes	No	12/31/2013	$ 250,564	$ 300	not disclosed	not disclosed	$ -	$ -	$ -	Software development costs incurred subsequent to establishing technological feasibility through the general release of the software products are capitalized. Generally, new software products and significant enhancements to our existing products are available for general release soon after technological feasibility has been established. Capitalized product costs are included in intangible assets and other, net in our consolidated balance sheets and are amortized over their estimated useful life, generally three to five years. We capitalize certain direct costs to develop functionality as well as certain upgrades and enhancements that are probable to result in additional functionality to our website. The costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, costs are capitalized until the software is substantially complete and ready for its intended use. Capitalized website development costs are recorded in intangible assets and other, net in our consolidated balance sheets and amortized over their estimated useful life, generally three years, as general and administrative expenses in our consolidated statements of income.	No discussion in footnotes.
66	Splunk	SPLK	Big 4	No	No	01/31/2014	$ 302,623	Not Disclosed	$ -	$ 400	$ -	$ -	$ -	Capitalization of software development costs for software to be sold, leased, or otherwise marketed begins upon the establishment of technological feasibility, which is generally the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. Amortization begins once the software is ready for its intended use, generally based on the pattern in which the economic benefits will be consumed. Costs related to software acquired, developed or modified solely to meet our internal requirements, with no substantive plans to market such software at the time of development, are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during post implementation operational stage are expensed as incurred. Costs incurred during the application development stage of the project are capitalized.	Commissions are recorded as a component of sales and marketing expenses and consist of the variable compensation paid to our sales force. Sales commissions are earned and recorded at the time that a customer has entered into a binding purchase agreement.
67	SPS Commerce, Inc.	SPSC	Big 4	No	No	12/31/2013	$ 104,391	$ -	$ -	$ -	$ -	$ -	$ -	No discussion in footnotes.	No discussion in footnotes.
68	Tableau Software Inc	DATA	Big 4	No	No	12/31/2013	$ 232,440	$ -	$ -	$ -	$ -	$ -	$ -	Software development costs associated with the development of new products, enhancements of existing products and quality assurance activities consists of employee, consulting and other external personnel costs. The costs incurred internally from the research and development of computer software products are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for release to customers. Judgment is required in determining when technological feasibility of a product is established. To date, we have determined that technological feasibility of software products is reached shortly before the products are released. Costs incurred after establishment of technological feasibility have not been material, and therefore, we have expensed all research and development costs as they were incurred. Research and development expenses primarily consist ofpersonnel related costs attributable to our research and development personnel and allocated overhead.	No discussion in footnotes
69	Textura Corp	TXTR	Big 4	Yes	No	09/30/2013	$ 35,534	$ -	$ 671	$ -	$ -	$ -	$ -	The Company incurs costs, primarily consisting of employee-related and third-party contractor costs, to develop and maintain its source software and other internally developed software applications. The Company expenses costs incurred during the planning and post-implementation phases of development of its solutions. During the solution development phase, costs incurred are capitalized. Capitalized software development costs are amortized over their estimated useful life of three years. These capitalized costs are reflected as capitalized software and the amortization is charged to depreciation and amortization in the consolidated statements of operations. During the year ended September 30, 2013, the Company capitalized software costs totaling $671. All software development costs incurred during the years ended September 30, 2012 and 2011 have been expensed.	Sales and marketing expenses consist primarily of personnel-related expenses for sales and marketing staff, including salaries, commissions, benefits, bonuses and share-based compensation. Sales and marketing expenses also include costs of lead generation activities, marketing and other promotional events, product marketing and other brand-building activities

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70	The Ultimate Software Group, Inc.	ULTI	Big 4	Yes	Yes	12/31/2013	$ 410,397	$ 24,238	$ 19,021	$ 1,300	$ 19,942	$ 3,384	not disclosed	Computer software development costs related to software developed for internal use falls under the accounting guidance of ASC Topic 350-40, Intangibles Goodwill and Other–Internal Use Software, in which computer software costs are expensed as incurred during the preliminary project stage and capitalization begins in the application development stage once the capitalization criteria are met. Costs associated with post implementation activities are expensed as incurred. Costs capitalized during the application development stage include external direct costs of materials and services consumed in developing or obtaining internal-use software and payroll and payroll-related costs for employees who are directly associated with, and who devote time to, the internal-use computer software. In addition to capitalizing costs for software (which are used by us in our general operations, for internal purposes), we also capitalize costs under ASC Topic 350-40 for certain software development projects related to our suite of products sold to our customers exclusively on a subscription basis under our software-as-a-service offering of UltiPro (the “Cloud Offering”).	No discussion in footnotes
71	Tyler Technologies, Inc.	TYL	Big 4	No	No	12/31/2013	$ 416,643	$ -	$ -	$ -	$ -	$ -	$ -	We capitalize software development costs upon the establishment of technological feasibility and prior to the availability of the product for general release to customers. Software development costs primarily consist of personnel costs and rent for related office space. We begin to amortize capitalized costs when a product is available for general release to customers. Amortization expense is determined on a product-by-product basis at a rate not less than straight-line basis over the product’s remaining estimated economic life, but not to exceed five years. We have not capitalized any internal software development costs in any of the periods presented.	No discussion in footnotes
72	Veeva Systems Inc	VEEV	Big 4	Yes	No	01/31/2014	$ 210,151	$ 1,585	$ 1,200	$ 500	$ -	$ -	$ -	We capitalize certain costs incurred for the development of computer software for internal use. These costs generally relate to the development of our customer relationship management, content management and collaboration and customer master solutions. We capitalize these costs during the development of the project, when it is determined that it is probable that the project will be completed, and the software will be used as intended. Costs related to preliminary project activities, post-implementation activities, training and maintenance are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life, generally three years, and the amortization expense is recorded as a component of cost of subscription services.	Sales commissions paid for subscriptions are recorded as a component of sales and marketing expenses when earned. Commissions are typically earned upon booking of a customer contract. Sales commission expense was $11.8 million, $6.6 million and $4.3 million for the fiscal years ended January 31, 2014, 2013 and 2012, respectively.
73	Vertical Computer Systems, Inc.	VCSY	Regional	Yes	No	12/31/2013	$ 6,057	$ 926,221	$ 163,366	not disclosed	$ -	$ -	$ -	Software costs incurred internally in creating computer software products are expensed until technological feasibility has been established upon completion of a detailed program design. Thereafter, all software development costs are capitalized until the point that the product is ready for sale, and are subsequently reported at the lower of unamortized cost or net realizable value. The Company considers annual amortization of capitalized software costs based on the ratio of current year revenues by product to the total estimated revenues by the product, subject to an annual minimum based on straight-line amortization over the product’s estimated economic useful life, not to exceed five years. The Company periodically reviews capitalized software costs for impairment where the fair value is less than the carrying value.	No discussion in footnotes
74	VMware, Inc.	VMW	Big 4	No	No	12/31/2013	$ 5,207,000	$ -	$ -	$ -	$ -	$ -	$ -	Development costs of software to be sold, leased, or otherwise marketed are subject to capitalization beginning when the product has established technological feasibility has been established and ending when the product is available for general release. During the years ended December 31, 2013 and 2012, software development costs incurred for products during the time period between reaching technological feasibility and general release were not material. Accordingly, software development costs incurred during the years ended December 31, 2013 and 2012 were expensed as incurred. As of December 31, 2013, all previously capitalized software development costs had been fully amortized.	No discussion in footnotes
75	Vocus, Inc.	VOCS	Big 4	Yes	No	12/31/2013	$ 114,874	not disclosed	not disclosed	$ 490	$ -	$ -	$ -	The Company incurs software development costs related to its cloud-based software. Qualifying costs incurred during the application development stage are capitalized. These costs primarily consist of internal labor and are amortized using the straight-line method over the estimated useful life of the software, which is generally two years. All other development costs are expensed as incurred. The Company capitalized the initial costs to acquire and develop its proprietary information database, which consists of media contacts and outlets and other relevant data integrated as part of the Company’s cloud-based solutions. These costs are amortized using the straight-line method over the estimated useful lives of nine to thirteen years. Costs to maintain and update the information database are expensed as cost of revenues as incurred.	We expense our sales commissions at the time a subscription agreement is executed by the customer, and we recognize substantially all of our revenues ratably over the term of the corresponding subscription agreement. As a result, we incur sales expense before the recognition of the related revenues. We expect that in the remainder of 2014, sales and marketing expenses will decrease in absolute dollars and as a percentage of revenues
76	Warp 9, Inc.	WNYN	Regional	No	No	6/30/2013	$ 1,006	$ -	$ -	$ -	$ -	$ -	$ -	No discussion in footnotes	No discussion in footnotes.
77	Web.com Group, Inc.	WWWW	Big 4	No	No	12/31/2013	$ 492,315	$ -	$ -	$ -	$ -	$ -	$ -	No discussion in footnotes	No discussion in footnotes.
78	Wix.Com Ltd	WIX	Big 4	No	No	12/31/2013	$ 80,473	Not Disclosed	Not Disclosed	Not Disclosed	$ -	$ -	$ -	Research and development costs are charged to the statements of operations and comprehensive loss as incurred. ASC 985-20, "Software- Costs of Software to Be Sold, Leased, or Marketed", requires capitalization of certain software development costs subsequent to the establishment of technological feasibility.Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working models and the point at which the products are ready for general release, have been insignificant. Therefore, all research and development costs are expensed as incurred.	No discussion in footnotes
79	Workday, Inc.	WDAY	Big 4	No	Yes	1/31/2013	$ 468,938	$ -	$ -	$ -	$ 29,331	not disclosed	not disclosed	No discussion in footnotes	Deferred commissions earned by our sales force that can be associated specifically with a non-cancelable cloud application services contract. Direct sales commissions are deferred when earned and amortized over the same period that revenues are recognized for the related non-cancelable cloud application services contract. The commission payments are paid in full after the customer has paid for its first year of service. Amortization of deferred commissions is included in sales and marketing in the accompanying consolidated statements of operations.
80	Zix Corporation	ZIXI	Regional	No	Yes	12/31/2013	$ 48,138	$ -	$ -	$ -	$ 320	Not Disclosed	Not Disclosed	Costs incurred in the development and testing of software used in the Company’s Email Encryption, DLP, and BYOD email services related to research, project planning, training, maintenance and general and administrative activities, and overhead costs are expensed as incurred. The costs of relatively minor upgrades and enhancements to the software are also expensed as incurred.	Selling and marketing expenses consist primarily of salary, commissions, travel, stock-based compensation and employee benefits for selling and marketing personnel as well as costs associated with promotional activities and advertising.