CBIZ, Inc.
Form 10-K
March 08, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2015 or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-32961

CBIZ, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**22-2769024** (I.R.S. Employer Identification No.)
6050 Oak Tree Boulevard, South, **Suite 500,** **Cleveland, Ohio** (Address of principal executive offices)	**44131** (Zip Code)

Registrant s telephone number, including area code: (216) 447-9000

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 (Title of class)	**New York Stock Exchange** (Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨ Smaller reporting company ¨

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $517.0 million as of June 30, 2015.

The number of outstanding shares of the registrant s common stock is 52,551,070 as of February 29, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant incorporates by reference in Part III hereof portions of its definitive Proxy Statement for its 2016 Annual Meeting of Stockholders.

Table of Contents

CBIZ, INC.

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

Table of Contents

Table of Contents

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). All statements other than statements of historical fact included in this Annual Report on Form 10-K including, without limitation, Business and Management s Discussion and Analysis of Financial Condition and Results of Operations regarding CBIZ s financial position, business strategy and plans and objectives for future performance are forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Forward-looking statements are commonly identified by the use of such terms and phrases as intends, believes, estimates, expects, projects, anticipates, foreseeable future, seeks and words or phrases of similar import in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated services, sales efforts, expenses, and financial results.

From time to time, the Company may also provide oral or written forward-looking statements in other materials the Company releases to the public. Any or all of the Company s forward-looking statements in this Annual Report on Form 10-K and in any other public statements that the Company makes, are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Such forward-looking statements can be affected by inaccurate assumptions the Company might make or by known or unknown risks and uncertainties. Many factors mentioned in Item 1A. Risk Factors will be important in determining future results. Should one or more of these risks or assumptions materialize, or should the underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Such risks and uncertainties include, but are not limited to:

CBIZ s ability to adequately manage its growth;

CBIZ s dependence on the services of its executive officers and other key employees;

competitive pricing pressures;

general business and economic conditions;

changes in governmental regulation and tax laws affecting CBIZ s operations;

reversal or decline in the current trend of outsourcing business services;

revenue seasonality or fluctuations in and collectability of receivables;

liability for errors and omissions of CBIZ businesses;

regulatory investigations and future regulatory activity (including without limitation inquiries into compensation arrangements within the insurance brokerage industry); and

reliance on information processing systems and availability of software licenses.

Consequently, no forward-looking statement can be guaranteed. The Company s actual future results may vary materially, and CBIZ undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures the Company makes on related subjects in the quarterly, periodic and annual reports the Company files with the United States Securities and Exchange Commission (the SEC). Also note that the Company provides cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to its businesses as discussed in Item 1. These are factors that the Company thinks could cause its actual results to differ materially from expected and historical results. Other factors besides those described here could also adversely affect operating or financial performance.

The following text is qualified in its entirety by reference to the more detailed information and consolidated financial statements (including the notes thereto) appearing elsewhere in this Annual Report on Form 10-K. Unless the context otherwise requires, references in this Annual Report to we, our, us , CBIZ or the Company shall mean CBIZ, Inc., a Delaware corporation, and its wholly-owned subsidiaries. All references to ye unless otherwise noted, refer to CBIZ s fiscal year which ends on December 31.

Table of Contents

PART I

Item 1. Business.

Introduction

CBIZ has been operating as a professional services business since 1996. The Company built its professional services business through acquiring accounting and financial service providers, benefits and employee services firms, property and casualty brokerage firms, payroll service providers, and valuation and other service firms throughout the United States. CBIZ is listed on the New York Stock Exchange (NYSE) under the symbol CBZ .

CBIZ provides professional business services, products and solutions that help its clients grow and succeed by better managing their finances and employees. These services are provided to businesses of various sizes, as well as individuals, governmental entities and not-for-profit enterprises throughout the United States and parts of Canada. CBIZ delivers its integrated services through the following three practice groups:

Financial Services

Employee Services

National Practices

CBIZ believes that its diverse and integrated service offerings result in advantages for both the client and for CBIZ. By providing custom solutions that help clients manage their finances and employees, CBIZ enables its clients to focus their resources on their own core business and operational competencies. Additionally, working with one provider for several solutions enables CBIZ s clients to utilize their resources more efficiently by eliminating the need to coordinate with multiple service providers. The ability to combine several services and offer them through one trusted provider distinguishes CBIZ from other service providers.

Business Strategy

CBIZ strives to maximize shareholder value and believes this is accomplished through growth in revenue and earnings per share, as well as the strategic allocation and deployment of free cash-flow and capital resources.

Revenue

CBIZ believes revenue growth will be achieved through internal organic growth, cross-serving additional services to its existing clients, and targeted acquisitions. Each of these components is critical to the long-term growth strategy, and CBIZ expects each component to contribute to long-term revenue growth.

CBIZ believes it can capitalize on organic growth opportunities by offering a higher level of national resources than traditional local professional service firms, but delivering these services locally with a higher level of personal service than is expected from traditional national firms. CBIZ is also able to leverage technology to create efficiencies and to link together aligned services such as benefits, payroll and human resource services.

Cross-serving provides CBIZ with the opportunity to offer and deliver multiple services to existing clients. Cross-serving opportunities are identified by Company employees as they provide services to their existing clients. Being a trusted advisor to its clients provides CBIZ with the opportunity to identify the clients needs, while the diverse and integrated services offered by CBIZ allow the Company to provide solutions to satisfy these needs.

CBIZ s acquisition strategy is to selectively acquire businesses that expand the Company s market position and strengthen its existing service offerings. Strategic businesses that CBIZ seeks to acquire generally have strong and energetic leadership, a positive local market reputation, commitment to client service, the potential for cross-serving additional CBIZ services to their clients, an ability to integrate quickly with existing CBIZ operations and are accretive to earnings.

Table of Contents

Earnings Per Share

CBIZ expects to grow earnings per share by increasing revenue and achieving operating leverage through improved productivity and cost management.

Cash Flows and Capital Resources

CBIZ s strategy is to utilize capital resources for strategic initiatives that will optimize shareholder return. The highest priority for the utilization of capital is focused on strategic acquisitions. CBIZ also believes that repurchasing shares of its common stock is a use of cash that provides stockholder value. Accordingly, CBIZ has historically adopted a repurchase plan annually and continually evaluates share repurchase opportunities. CBIZ may repurchase shares of its common stock when, after assessing capital needed to fund acquisitions and seasonal working capital needs, capital resources are available and such repurchases are accretive to stockholders.

Business Services

During the year ended December 31, 2013, CBIZ, through its subsidiary CBIZ Operations, Inc., an Ohio corporation, completed the sale of all of the issued and outstanding capital stock of each of CBIZ Medical Management Professionals, Inc., an Ohio corporation, and CBIZ Medical Management, Inc., a North Carolina corporation, and substantially all of the stock of their subsidiary companies, collectively consisting of all of CBIZ s Medical Management Professionals ongoing operations and business (MMP) to Zotec Partners, LLC, an Indiana limited liability company. Prior to the completion of this transaction, MMP was considered one of CBIZ s practice groups. For further discussion regarding MMP, see Note 19 to the accompanying consolidated financial statements.

Following the disposition of MMP, CBIZ delivers its integrated services through three operating practice groups. A general description of services provided by each practice group is provided in the table below.

Financial Services	**Employee Services**	**National Practices**
Accounting	Employee Benefits	Managed Networking and Hardware Services
Tax	Property & Casualty	Health Care Consulting
Government Health Care Consulting	Retirement Plan Services	
Financial Advisory	Payroll Services	
Valuation	Life Insurance	
Litigation Support	Human Capital Services	
Risk Advisory Services	Compensation Consulting	
Real Estate Advisory	Executive Recruiting	
	Actuarial Services	

Practice Groups

Revenue by practice group for the years ended December 31, 2015, 2014 and 2013 is provided in the table below (in thousands):

	Year Ended December 31,					
	2015		**2014**		**2013**	
Financial Services	$ 476,396	63.5%	$ 465,130	64.6%	$ 441,787	65.2%

Employee Services	244,493	32.6%	224,898	31.3%	204,863	30.3%
National Practices	29,533	3.9%	29,455	4.1%	30,521	4.5%
Total CBIZ	$ 750,422	100.0%	$ 719,483	100.0%	$ 677,171	100.0%

Table of Contents

A discussion of CBIZ s practice groups and certain external relationships and regulatory factors that currently impact those practice groups are provided below. See Note 21 to the accompanying consolidated financial statements for further discussion of CBIZ s practice groups.

Financial Services

The Financial Services practice group is divided into a Financial Services division, which represents the various accounting units spread geographically throughout the United States that provide core accounting services regionally, and a National Services division consisting of those units that provide their specialty services nationwide. Core accounting services consist mainly of accounting and tax compliance and consulting, as well as litigation support, while National Services consist primarily of federal and state governmental health care compliance, valuation services, real estate consulting and internal audit outsourcing. Both the Financial Services and National Services divisions report to the President of Financial Services. The President of Financial Services reports to CBIZ s President and Chief Operating Officer (COO).

Restrictions imposed by independence requirements and state accountancy laws and regulations preclude CBIZ from rendering audit and attest services (other than internal audit services). As such, CBIZ and its subsidiaries maintain joint-referral relationships and administrative service agreements (ASAs) with independent licensed Certified Public Accounting (CPA) firms (the CPA firms) under which audit and attest services may be provided to CBIZ s clients by such CPA firms. These firms are owned by licensed CPAs, a vast majority of whom are also employed by CBIZ s subsidiaries. Under these ASAs, CBIZ provides a range of services to the CPA firms, including (but not limited to): administrative functions such as office management, bookkeeping and accounting; preparing marketing and promotional materials; providing office space, computer equipment and systems support; and leasing administrative and professional staff. Services are performed in exchange for a fee.

Fees earned by CBIZ under the ASAs are recorded as revenue in the accompanying Consolidated Statements of Comprehensive Income and totaled approximately $137.5 million, $133.7 million and $133.5 million for the years ended December 31, 2015, 2014 and 2013, respectively, a majority of which is related to services rendered to privately-held clients and governmental agencies. In the event that accounts receivable and unbilled work in process become uncollectible by the CPA firms, the service fee due to CBIZ is typically reduced on a proportional basis. The ASAs have terms ranging up to eighteen years, are renewable upon agreement by both parties, and have certain rights of extension and termination.

With respect to CPA firm clients that are required to file audited financial statements with the SEC, the SEC staff views CBIZ and the CPA firms with which CBIZ has contractual relationships as a single entity in applying independence rules established by the accountancy regulators and the SEC. Accordingly, CBIZ does not hold any financial interest in an SEC-reporting attest client of an associated CPA firm, enter into any business relationship with an SEC-reporting attest client that the CPA firm performing an audit could not maintain, or sell any non-audit services to an SEC-reporting attest client that the CPA firm performing an audit could not sell, under the auditor independence limitations set out in the Sarbanes-Oxley Act of 2002 and other professional accountancy independence standards. Applicable professional standards generally permit CBIZ to provide additional services to privately-held companies in addition to those services which may be provided to SEC-reporting attest clients of an associated CPA firm. CBIZ and the CPA firms with which CBIZ is associated have implemented policies and procedures designed to enable the Company and the CPA firms to maintain independence and freedom from conflicts of interest in accordance with applicable standards. Given the policies set by CBIZ on its relationships with SEC-reporting attest clients of associated CPA firms, and the limited number and size of such clients, the Sarbanes-Oxley Act independence limitations do not, and are not expected to, materially affect CBIZ revenues.

The CPA firms with which CBIZ maintains ASAs may operate as limited liability companies, limited liability partnerships or professional corporations. The firms are separate legal entities with separate governing bodies and officers. Neither the existence of the ASAs nor the providing of services thereunder constitutes control of the CPA firms by CBIZ. CBIZ and the CPA firms maintain their own respective liability and risk of loss in

Table of Contents

connection with the performance of their respective services. Attest services are not permitted to be performed by any individual or entity that is not licensed to do so. CBIZ is not permitted to perform audits, reviews, compilations, or other attest services, does not contract to perform them and does not provide the associated attest reports. Given this legal prohibition and course of conduct, CBIZ does not believe it is likely that it would bear the risk of litigation losses related to attest services provided by the CPA firms.

At December 31, 2015, CBIZ maintained ASAs with four CPA firms. Most of the members and/or stockholders of the CPA firms are also CBIZ employees, and CBIZ renders services to the CPA firms as an independent contractor. One of CBIZ s ASAs is with Mayer Hoffman McCann, P.C. (Mayer Hoffman), an independent national CPA firm headquartered in Kansas City, Missouri. Mayer Hoffman has 251 stockholders, a vast majority of whom are also employees of CBIZ. Mayer Hoffman maintains an eight member board of directors. There are no board members of Mayer Hoffman who hold senior officer positions at CBIZ. CBIZ s association with Mayer Hoffman offers clients access to the multi-state resources and expertise of a national CPA firm. CBIZ also has an ASA with Myers & Stauffer LLC (M&S), an independent national governmental health care consulting firm headquartered in Kansas City, Missouri. M&S has eight equity members, all of whom are also employees of CBIZ. M&S maintains a three member executive committee, none of whom hold senior officer positions at CBIZ.

Although the ASAs do not constitute control, CBIZ is one of the beneficiaries of the agreements and may bear certain economic risks. As such, the CPA firms with which CBIZ maintains ASAs qualify as variable interest entities. See Note 1 to the accompanying consolidated financial statements for further discussion.

Employee Services

CBIZ s Employee Services practice group operates under a divisional President who oversees the practice group, along with a senior management team aligned along functional, product, and unit management lines. The Employee Services President reports to CBIZ s President and COO. CBIZ s Employee Services group is organized along lines of services such as employee benefits consulting and brokerage, property and casualty brokerage, retirement plan advisory services, payroll services, human capital advisory services, actuarial services, life insurance and other services that serve local and regional clients with national resources.

CBIZ s Employee Services practice group maintains relationships with many different insurance carriers. Some of these carriers have compensation arrangements with CBIZ whereby some portion of payments due may be contingent upon meeting certain performance goals, or upon CBIZ providing client services that would otherwise be provided by the carriers. These compensation arrangements are provided to CBIZ as a result of its performance and expertise, and may result in enhancing CBIZ s ability to access certain insurance markets and services on behalf of CBIZ clients. The aggregate compensation related to these arrangements received during the years ended December 31, 2015, 2014 and 2013 was less than 2% of consolidated CBIZ revenue for the respective periods.

National Practices

The National Practices group offers technology and health care consulting services. Both units within the National Practices group have a Business Unit President. One Business Unit President reports to a Senior Vice President and CBIZ s President and COO. The other Business Unit President reports to CBIZ s Chairman and Chief Executive Officer (CEO).

Sales and Marketing

CBIZ s branding goals are focused on providing CBIZ with a consistent image while at the same time providing support, tools and resources for each practice and market to utilize within each of the Company s distinct

Table of Contents

geographic and industry markets. Three key strategies are employed to accomplish these goals: (1) thought leadership, (2) market segmentation, and (3) sales/sales management process development.

- Thought leadership: CBIZ marketing efforts continue to capitalize on the extensive knowledge and expertise of CBIZ associates. This has been accomplished through media visibility, social media, webinars, and the creation of a wide variety of white papers, newsletters, books, and other information offerings.

- Market segmentation: The majority of CBIZ marketing resources are devoted to the highly measurable and high return on investment strategies that specifically target those industries and service areas where CBIZ has particularly deep experience. These efforts typically involve local, regional or national trade show and event sponsorships, targeted direct mail, email, and telemarketing campaigns, and practice and industry specific websites and newsletters.

- Sales/sales management process development: CBIZ continues to enhance an accountable business development culture with several initiatives, including enhanced management visibility, analytics and forecasting through Salesforce.com and the implementation of performance management scorecards and business development pipeline reports. Together, these initiatives have helped create a more effective, efficient and successful sales management process throughout the Company.

CBIZ s focus has been on developing marketing strategies that specifically support each of the Company s major practice areas: Financial Services (accounting) and Employee Services (insurance, payroll and human resources). In each of these segments, emphasis has been put on marketing technology that has the highest and most measurable return on investment, including enhanced targeted email campaigns, webinars, web lead generation, and an evolving web presence.

In 2012, CBIZ launched an initiative to build relationships and reputation through social media. Beginning with comprehensive training and support for LinkedIn and Twitter, CBIZ s social media efforts have expanded to include programs on Facebook, Google+, YouTube and social sharing sites such as Slideshare and Pinterest.

Clients

CBIZ provides professional services to over 90,000 clients, including over 50,000 business clients. By providing various professional services and administrative functions, CBIZ enables its clients to focus their resources on their own operational competencies. Reducing administrative functions allows clients to enhance productivity, reduce costs and improve service quality and efficiency by focusing on their core business. Depending on a client s size and capabilities, it may choose to utilize one, some or many of the diverse and integrated services offered by CBIZ.

CBIZ s clients come from a large variety of industries and markets, including many government agencies, with the Company targeting mid-sized companies that have between 100 and 2,000 employees and annual revenues between $5.0 million and $200.0 million. CBIZ s largest client, Edward Jones, comprised less than 3.0% of CBIZ s consolidated revenue in 2015 and is included in the National Practices operating practice group. Management believes that its client diversity helps insulate CBIZ from a downturn in a particular industry or geographic market. Nevertheless, economic conditions among select clients and groups of clients may have an impact on the demand for services provided by CBIZ.

Competition

The professional business services industry is highly fragmented and competitive, with a majority of industry participants, such as accounting, employee benefits, payroll providers or professional service organizations, offering only a limited number of services. Competition is based primarily on client relationships, quality of professional advice, range and quality of services or product offerings, customer service, timeliness, geographic

Table of Contents

proximity, and competitive rates. CBIZ competes with a number of multi-location regional or national professional services firms and a large number of relatively small independent firms in local markets. CBIZ s competitors in the professional business services industry include, but are not limited to, independent consulting services companies, independent accounting and tax firms, payroll service providers, independent insurance brokers and divisions of diversified services companies.

Acquisitions and Divestitures

CBIZ seeks to strengthen its operations and customer service capabilities by selectively acquiring businesses that expand its market position and strengthen its existing service offerings. During the year ended December 31, 2015, CBIZ acquired substantially all of the assets of three businesses:

First Quarter 2015

- Model Consulting, Inc. (Model), located in Trevose, Pennsylvania, effective March 1, 2015. Model provides employee benefit consulting services to mid-sized companies in the Philadelphia and Southern New Jersey markets. Annualized revenue attributable to Model is estimated to be approximately $4.2 million. Operating results attributable to Model are reported in the Employee Services practice group.

Fourth Quarter 2015

- Pension Resource Group, Inc. (PRG), located in Woodstock, Georgia, effective October 1, 2015. PRG provides pension administration solutions including defined benefit administration, data warehousing, benefit communication, compensation statement and human capital services to clients ranging in size from 500 to over 60,000 participants. Annualized revenue attributable to PRG is estimated to be approximately $4.8 million. Operating results attributable to PRG are reported in the Employees Services practice group.

- Cottonwood Group, Inc. (Cottonwood), located in Overland Park, Kansas, effective December 1, 2015. Cottonwood provides pension plan consulting, actuarial and investment services for institutional pension plans, retirement funds, endowment funds and foundations. Annualized revenue attributable to Cottonwood is estimated to be $3.1 million. Operating results attributable to Cottonwood are reported in the Employees Services practice group.

During the year ended December 31, 2015, CBIZ also purchased six client lists, all of which are reported in the Employee Services practice group.

Discontinued Operations of MMP

During the year ended December 31, 2013, CBIZ, through its subsidiary CBIZ Operations, Inc., an Ohio corporation, completed the sale of all of the issued and outstanding capital stock of MMP to Zotec Partners, LLC, an Indiana limited liability company. Prior to the completion of this transaction, MMP was considered one of CBIZ s practice groups. For further discussion regarding MMP, see Note 19 to the accompanying consolidated financial statements.

Regulation

CBIZ s operations are subject to regulation by federal, state, local and professional governing bodies. Accordingly, CBIZ s business services may be impacted by legislative changes by these bodies, particularly with respect to provisions relating to payroll, benefits administration and insurance services, pension plan administration and tax and accounting. CBIZ remains abreast of regulatory changes affecting its business, as these changes often affect clients activities with respect to employment, taxation, benefits, and accounting. For

Table of Contents

instance, changes in income, estate, or property tax laws may require additional consultation with clients subject to these changes to ensure their activities comply with revised regulations.

CBIZ itself is subject to industry regulation and changes, including changes in laws, regulations, and codes of ethics governing its accounting, insurance, valuation, registered investment advisory and broker-dealer operations, as well as in other industries, the interpretation of which may impact CBIZ s operations.

CBIZ is subject to certain privacy and information security laws and regulations, including, but not limited to those under the Health Insurance Portability and Accountability Act of 1996, The Financial Modernization Act of 1999 (the Gramm-Leach-Bliley Act), the Health Information Technology for Economic and Clinical Health Act, and other provisions of federal and state laws which may restrict CBIZ s operations and give rise to expenses related to compliance.

As a public company, CBIZ is subject to the provisions of the Sarbanes-Oxley Act of 2002 to reform the oversight of public company auditing, improve the quality and transparency of financial reporting by those companies and strengthen the independence of auditors.

As of December 31, 2015, CBIZ believes it is in compliance with all governmental and professional organizations regulations in which it provides services.

Liability Insurance

CBIZ carries insurance policies, including those for commercial general liability, automobile liability, property, crime, professional liability, directors and officers liability, fiduciary liability, employment practices liability and workers compensation, subject to prescribed state mandates. Excess liability coverage is carried over the underlying limits provided by the commercial general liability, directors and officers liability, professional liability and automobile liability policies.

Employees

At December 31, 2015, CBIZ employed approximately 4,400 employees. CBIZ believes that it has a good relationship with its employees. A large number of the Company s employees hold professional licenses or degrees. As a professional services company that differentiates itself from competitors through the quality and diversity of its service offerings, CBIZ believes that its employees are its most important asset. Accordingly, CBIZ strives to remain competitive as an employer while increasing the capabilities and performance of its employees.

Seasonality

A disproportionately large amount of CBIZ s revenue occurs in the first half of the year. This is due primarily to accounting and tax services provided by the Company s Financial Services practice group, which is subject to seasonality related to heavy volume in the first four months of the year. CBIZ s Financial Services practice group generated more than 40.0% of its revenue in the first four months of each of the past five years. In addition, more than 50.0% of the Company s annual earnings per share have been earned during the first quarter of each of the past five years. Like most professional service companies, most of CBIZ s operating costs are relatively fixed in the short term, which generally results in higher operating margins in the first half of the year.

Available Information

CBIZ s principal executive office is located at 6050 Oak Tree Boulevard, South, Suite 500, Cleveland, Ohio 44131, and the Company s telephone number is (216) 447-9000. CBIZ s website is located at http://www.cbiz.com. CBIZ makes available, free of charge on its website, through the investor information

Table of Contents

page, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports as soon as reasonably practicable after CBIZ files (or furnishes) such reports with the SEC. The public may read and copy materials the Company files (or furnishes) with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, and may obtain information on the operations of the Public Reference Room by calling the SEC at 1-800-732-0330. In addition, the SEC maintains an Internet Website that contains reports, proxy and information statements and other information about CBIZ at http://www.sec.gov. CBIZ s corporate code of conduct and ethics and the charters of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee of the Board of Directors are available on the investor information page of CBIZ s website, referenced above, and in print to any shareholder who requests them.

Item 1A. Risk Factors.

The following factors may affect our actual operating and financial results and could cause results to differ materially from those in any forward-looking statements. You should carefully consider the following information.

We may be more sensitive to revenue fluctuations than other companies, which could result in fluctuations in the market price of our common stock.

A substantial majority of our operating expenses, such as personnel and related costs and occupancy costs, are relatively fixed in the short term. As a result, we may not be able to quickly reduce costs in response to any decrease in revenue. This factor could cause our quarterly results to be lower than expectations of securities analysts and stockholders, which could result in a decline in the price of our common stock.

Payments on accounts receivable may be slower than expected, or amounts due on receivables or notes may not be fully collectible.

Professional services firms often experience higher average accounts receivable days outstanding compared to many other industries, which may be magnified if the general economy worsens. If our collections become slower, our liquidity may be adversely impacted. We monitor the aging of receivables regularly and make assessments of the ability of customers to pay amounts due. We provide for potential bad debts each month and recognize additional reserves against bad debts as we deem it appropriate. Notwithstanding these measures, our customers may face unexpected circumstances that adversely impact their ability to pay their trade receivables or note obligations to us and we may face unexpected losses as a result.

We are dependent on the services of our executive officers and other key employees, the loss of any of whom may have a material adverse effect on our business, financial condition and results of operations.

Our success depends in large part upon the abilities and continued services of our executive officers and other key employees, such as our business unit presidents. In the course of business operations, employees may resign and seek employment elsewhere. Certain principal employees, however, are bound in writing to non-compete agreements barring competitive employment, client solicitation, and solicitation of employees for a period of between two and ten years following his or her resignation. We cannot assure you that we will be able to retain the services of our key personnel. If we cannot retain the services of key personnel, there could be a material adverse effect on our business, financial condition and results of operations. While we generally have employment agreements and non-competition agreements with key personnel, courts are at times reluctant to enforce such non-competition agreements. In addition, many of our executive officers and other key personnel are either participants in our stock option plan or holders of a significant amount of our common stock. We believe that these interests provide additional incentives for these key employees to remain with us. In order to support our growth, we intend to continue to effectively recruit, hire, train and retain additional qualified

Table of Contents

management personnel. Our inability to attract and retain necessary personnel could have a material adverse effect on our business, financial condition and results of operations.

Restrictions imposed by independence requirements and conflict of interest rules may limit our ability to provide services to clients of the attest firms with which we have contractual relationships and the ability of such attest firms to provide attestation services to our clients.

Restrictions imposed by independence requirements and state accountancy laws and regulations preclude CBIZ from rendering audit and attest services (other than internal audit services). As such, CBIZ and its subsidiaries maintain joint-referral relationships and ASAs with independent licensed CPA firms under which audit and attest services may be provided to CBIZ s clients by such CPA firms. The CPA firms are owned by licensed CPAs, a vast majority of whom are employed by CBIZ subsidiaries.

Under these ASAs, CBIZ provides a range of services to the CPA firms, including: administrative functions such as office management, bookkeeping, and accounting; preparing marketing and promotion materials; providing office space, computer equipment, and systems support; and leasing administrative and professional staff. Services are performed in exchange for a fee. Fees earned by CBIZ under the ASAs are recorded as revenue in the accompanying Consolidated Statements of Comprehensive Income. In the event that accounts receivable and unbilled work in process become uncollectible by the CPA firms, the service fee due to CBIZ is typically reduced on a proportional basis.

With respect to CPA firm clients that are required to file audited financial statements with the SEC, the SEC staff views CBIZ and the CPA firms with which we have contractual relationships as a single entity in applying independence rules established by the accountancy regulators and the SEC. Accordingly, we do not hold any financial interest in, nor do we enter into any business relationship with, an SEC-reporting attest client that the CPA firm performing an audit could not maintain; further, we do not sell any non-audit services to an SEC-reporting attest client that the CPA firm performing an audit could not sell under the auditor independence limitations set out in the Sarbanes-Oxley Act of 2002 and other professional accountancy independence standards. SEC staff informed us that independence rules that apply to clients that receive attest services under SEC and Public Company Accounting Oversight Board (PCAOB) standards from such CPA firms would prohibit such clients from holding any stock of CBIZ, Inc. However, applicable professional standards generally permit CBIZ to provide additional services to privately-held companies, in addition to those services which may be provided to SEC-reporting attest clients of a CPA firm. CBIZ and the CPA firms have implemented policies and procedures designed to enable us to maintain independence and freedom from conflicts of interest in accordance with applicable standards. Given the pre-existing limits set by CBIZ on its relationships with SEC-reporting attest clients of associated CPA firms, and the limited number and size of such clients, the imposition of independence limitations under the Sarbanes-Oxley Act, SEC rule or interpretation, or PCAOB standards do not and are not expected to materially affect CBIZ revenues.

There can be no assurance that following the policies and procedures implemented by us and the CPA firms will enable us and the CPA firms to avoid circumstances that would cause us and them to lack independence from an SEC-reporting attest client; nor can there be any assurance that state, U.S. Government Accountability Office or U.S. Department Of Labor accountancy authorities will not impose additional restrictions on the profession. To the extent that the CPA firms for whom we provide administrative and other services are affected, we may experience a decline in fee revenue from these businesses as well as expenses related to addressing independence concerns. To date, revenues derived from providing services in connection with attestation engagements of the attest firms performed for SEC-reporting clients have not been material.

Our goodwill and intangible assets could become impaired, which could lead to material non-cash charges against earnings.

We assess potential impairment on our goodwill and intangible asset balances, including client lists, on an annual basis, or more frequently if there is any indication that the asset may be impaired. Any impairment of goodwill or intangible assets resulting from this periodic assessment would result in a non-cash charge against current earnings, which could lead to a material impact on our results of operations, statements of financial position, and earnings per share. Any decline in future revenues, cash flows or growth rates as a result of further adverse changes in the economic environment or an adverse change resulting from new governmental regulations could lead to an impairment of goodwill or intangible assets.

Certain liabilities resulting from acquisitions are estimated and could lead to a material non-cash impact on earnings.

Through its acquisition activities, CBIZ records liabilities for estimated future contingent earnout payments. These liabilities are reviewed quarterly and changes in assumptions used to determine the amount of the liability could lead to a non-cash adjustment that may have a material impact, favorable or unfavorable, on the consolidated statements of comprehensive income.

Governmental regulations and interpretations are subject to changes, which could have a material adverse effect on revenue.

Laws and regulations could result in changes in the amount or the type of business services required by businesses and individuals. We cannot be sure that future laws and regulations will provide the same or similar opportunities for us to provide business consulting and management services to businesses and individuals. State insurance regulators have conducted inquiries to clarify the nature of compensation arrangements within the insurance brokerage industry. Future regulatory actions or laws, including the Affordable Care Act, may limit or eliminate our ability to enhance revenue through all current compensation arrangements and may result in a diminution of future insurance brokerage revenue from these sources. Accordingly, CBIZ s ability to continue to operate in some states may depend on our flexibility to modify our operational structure in response to these changes in regulations.

Changes in the United States health care environment, including new health care legislation, may adversely affect the revenue and margins in our health care benefit businesses.

Our employee benefits business, specifically our group health consulting and brokerage businesses, receives commissions for brokering employer-sponsored health care policies with insurance carriers on behalf of the client. In many cases, these commissions consist of a ratable portion of the insurance premiums on those policies, based upon a sliding scale pertaining to the dollar volume of premiums and/or the number of participants in the plan.

Changes in the health care environment, including, but not limited to, any legislated changes in the U.S. national health care system, that affect the methods by which insurance carriers remunerate brokers, could adversely impact our revenues and margins in this business. Specifically, legislation or other changes could afford our clients and their employees the ability to seek insurance coverage through other means, including, but not limited to, direct access with insurance carriers or other similar avenues, which could eliminate or adversely alter the remuneration brokers receive from insurance carriers for their services.

Higher rates of unemployment in the U.S. could result in a general reduction in the number of individuals with employer-sponsored health care coverage. This decline in employee participation in health care insurance plans at our clients could result in a reduction in the commissions we receive from insurance carriers for our brokerage services, which could have an adverse impact on revenues and margins in this business.

We are subject to risks relating to processing customer transactions for our payroll and other transaction processing businesses.

The high volume of client funds and data processed by us, or by our out-sourced resources abroad, in our transaction related businesses entails risks for which we may be held liable if the accuracy or timeliness of the transactions processed is not correct. In addition, related to our payroll and employee benefits businesses, we store personal information about some of our clients and their employees for which we may be liable under the Health Insurance Portability and Accountability Act or other governmental regulations if the security of this information is breached. We could incur significant legal expense to defend any claims against us, even those claims without merit. While we carry insurance against these potential liabilities, we cannot be certain that circumstances surrounding such an error or breach of security would be entirely reimbursed through insurance coverage. We believe we have controls and procedures in place to address our fiduciary responsibility and mitigate these risks. However, if we are not successful in managing these risks, our business, financial condition and results of operations may be harmed.

Cyber attacks or other security breaches involving our computer systems or the systems of one or more of our vendors could materially and adversely affect our business.

Our systems, like others in the payroll, retirement and financial services industries, are vulnerable to cyber security risks, and we are subject to potential disruption caused by such activities. Corporations such as ours are subject to frequent attacks on their systems. Such attacks may have various goals, from seeking confidential information to causing operational disruption. Although to date such activities have not resulted in material disruptions to our operations or, to our knowledge, breach of any security or confidential information, no assurance can be provided that such disruptions or breach will not occur in the future. Any significant violations of data privacy could result in the loss of business, litigation, regulatory investigations, and penalties that could damage our reputation and adversely affect the growth of our business.

We are subject to risk as it relates to software that we license from third parties.

We license software from third parties, much of which is integral to our systems and our business. The licenses are terminable if we breach our obligations under the license agreements. If any of these relationships were terminated or if any of these parties were to cease doing business or cease to support the applications we currently utilize, we may be forced to spend significant time and money to replace the licensed software. However, we cannot assure you that the necessary replacements will be available on reasonable terms, if at all.

We could be held liable for errors and omissions.

All of our business services entail an inherent risk of malpractice and other similar claims resulting from errors and omissions. Therefore, we maintain errors and omissions insurance coverage. Although we believe that our insurance coverage is adequate, we cannot be certain that actual future claims or related legal expenses would not exceed the coverage amounts. In addition, we cannot be certain that the different insurance carriers which provide errors and omissions coverage for different lines of our business will not dispute their obligation to cover a particular claim. If we have a large claim, or a large number of claims, on our insurance, the rates for such insurance may increase, and amounts expended in defense or settlement of these claims prior to exhaustion of deductible or self-retention levels may become significant, but contractual arrangements with clients may constrain our ability to incorporate such increases into service fees. Insurance rate increases, disputes by carriers over coverage questions, payments by us within deductible or self-retention limits, as well as any underlying claims or settlement of such claims, could have a material adverse effect on our business, financial condition and results of operations.

CBIZ is not a CPA firm and does not perform any attest services for clients. CBIZ does not maintain any ownership interest in or control over any CPA firm with which a CBIZ subsidiary may maintain an ASA. All personnel and staff of CBIZ who are provided to such CPA firms work under the sole direction, supervision and control of the particular CPA firm, and CBIZ does not control how attest work is conducted. For these reasons we do not believe we have liability to any party related to their receipt of attest services from such CPA firms. Nevertheless, from time to time CBIZ has been sued for attest work that we do not perform but which is performed by such CPA firms. While we have been successful to date in defending against such suits, it is

Table of Contents

possible that similar claims may be brought in the future. We will be required to defend against such claims, and may incur expenses related to such lawsuits and may not be successful in defending against such lawsuits. In the event that the CPA firms with which we maintain ASAs incur judgments and costs related to such suits that threaten the solvency of the CPA firms, CBIZ may incur expenditures related to such proceedings.

The future issuance of additional shares could adversely affect the price of our common stock.

Future sales or issuances of common stock, including those related to the uses described below, or the perception that sales could occur, could adversely affect the market price of our common stock and dilute the percentage ownership held by our stockholders. We have authorized 250.0 million shares, and have approximately 52.6 million shares outstanding at February 29, 2016. A substantial number of these shares have been issued in connection with acquisitions. As part of many acquisition transactions, shares are contractually restricted from sale for a one-year period, and as of February 29, 2016, approximately 0.4 million shares of common stock were under lock-up contractual restrictions that expire by December 31, 2016. We cannot be sure when sales by holders of our stock will occur, how many shares will be sold or the effect that sales may have on the market price of our common stock.

The Company s 4.875% Convertible Senior Subordinated Notes due 2015 (the 2010 Notes) matured on October 1, 2015. No shares of CBIZ common stock were issued in conjunction with the maturation of the $48.4 million outstanding principal amount of the 2010 Notes.

Prior to the October 1, 2015 maturity date

During the second quarter of 2015, the Company issued 5.1 million shares of CBIZ common stock plus cash consideration in privately negotiated transactions in exchange for retiring $49.3 million of its 2010 Notes.

During the nine months ended September 30, 2014, the Company issued 1.5 million shares of CBIZ common stock plus cash consideration in privately negotiated transactions in exchange for retiring $32.4 million of its 2010 Notes.

Our principal stockholders may have substantial control over our operations.

At December 31, 2015, the stockholders identified below beneficially owned (within the meaning of Rule 13d-3 of the Exchange Act) the following aggregate amounts and percentages of our common stock:

	Number of Shares (in millions)	**% of CBIZ s Outstanding Common Stock**
Burgundy Asset Management Ltd.	5.1	9.8%
Fidelity Management & Research Co.	4.7	9.1%
Dimensional Fund Advisors LP	4.2	8.1%
Cardinal Capital Management LLC	2.7	5.0%
The foregoing as a group	16.7	32.0%

Because of their stock ownership, these stockholders may exert substantial influence or actions that require the consent of a majority of our outstanding shares, including the election of directors. CBIZ s share repurchase activities may result in increased ownership percentages of these individuals and therefore increase the influence they may exert, if they do not participate in these share repurchase transactions or otherwise dispose of their common stock.

Table of Contents

We require a significant amount of cash for interest payments on our debt and to expand our business as planned.

At December 31, 2015, our debt consisted primarily of $205.8 million in principal amount outstanding under our credit facility (as amended the credit facility). Our debt requires us to dedicate a significant portion of our cash flow from operations to pay interest on our indebtedness, thereby reducing the funds available to use for acquisitions, capital expenditures and general corporate purposes. Our ability to make interest payments on our debt, and to fund acquisitions, will depend upon our ability to generate cash in the future. Insufficient cash flow could place us at risk of default under our debt agreements or could prevent us from expanding our business as planned. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our business may not generate sufficient cash flow from operations and future borrowings may not be available to us under our credit facility in an amount sufficient to enable us to fund our other liquidity needs.

Terms of our credit facility may adversely affect our ability to run our business and/or reduce stockholder returns.

The terms of our credit facility, as well as the guarantees of our subsidiaries, could impair our ability to operate our business effectively and may limit our ability to take advantage of business opportunities. For example, our credit facility may:

- restrict our ability to repurchase or redeem our capital stock or debt, or merge or consolidate with another entity;
- limit our ability to borrow additional funds or to obtain other financing in the future for working capital, capital expenditures, acquisitions, investments and general corporate purposes;
- limit our ability to dispose of our assets, create liens on our assets, to extend credit or to issue dividends to our stockholders; and
- make us more vulnerable to economic downturns and reduce our flexibility in responding to changing business and economic conditions.

Our failure to satisfy covenants in our debt instruments will cause a default under those instruments.

Our debt instruments include a number of covenants relating to financial ratios and tests. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. The breach of any of these covenants would result in a default under these instruments. An event of default would permit our lenders and other debt holders to declare all amounts borrowed from them to be due and payable, together with accrued and unpaid interest. If the lenders accelerate the repayment of borrowings, we may not have sufficient assets to repay our debt.

We are reliant on information processing systems and any failure of these systems could have a material adverse effect on our business, financial condition and results of operations.

Our ability to provide business services depends on our capacity to store, retrieve, process and manage significant databases, and expand and upgrade periodically our information processing capabilities. Interruption or loss of our information processing capabilities through loss of stored data, breakdown or malfunctioning of computer equipment and software systems, telecommunications failure, or damage caused by fire, tornadoes, lightning, electrical power outage, or other disruption could have a material adverse effect on our business, financial condition and results of operations. Although we have disaster recovery procedures in place and insurance to protect against such contingencies, we cannot be sure that insurance or these services will continue to be available, cover all our losses or compensate us for the possible loss of clients occurring during any period that we are unable to provide business services.

Table of Contents

We may not be able to acquire and finance additional businesses which may limit our ability to pursue our business strategy.

CBIZ acquired three businesses and six client lists during 2015, and maintains a healthy pipeline of potential businesses for acquisition. Targeted acquisitions are part of our growth strategy, and it is our intention to selectively acquire businesses or client lists that are complementary to existing service offerings in our target markets. However, we cannot be certain that we will be able to continue identifying appropriate acquisition candidates and acquire them on satisfactory terms, and we cannot be assured that such acquisitions, even if completed, will perform as expected or will contribute significant synergies, revenues or profits. In addition, we may also face increased competition for acquisition opportunities, which may inhibit our ability to complete transactions on terms that are favorable to us. As discussed above, there are certain provisions under our credit facility that may limit our ability to acquire additional businesses. In the event that we are not in compliance with certain covenants as specified in our credit facility, we could be restricted from making acquisitions, restricted from borrowing funds from our credit facility for other uses, or required to pay down the outstanding balance on the line of credit. However, management believes that funds available under the credit facility, along with cash generated from operations, will be sufficient to meet our liquidity needs, including planned acquisition activity in the foreseeable future. To the extent we are unable to find suitable acquisition candidates, an important component of our growth strategy may not be realized.

The business services industry is competitive and fragmented. If we are unable to compete effectively, our business, financial condition and results of operations may be negatively impacted.

We face competition from a number of sources in both the business services industry and from specialty insurance agencies. Competition in both industries has led to consolidation. Many of our competitors are large companies that may have greater financial, technical, marketing and other resources than us. In addition to these large companies and specialty insurance agencies, we face competition in the business services industry from in-house employee services departments, local business services companies and independent consultants, as well as from new entrants into our markets. We cannot assure you that, as our industry continues to evolve, additional competitors will not enter the industry or that our clients will not choose to conduct more of their business services internally or through alternative business services providers. Although we intend to monitor industry trends and respond accordingly, we cannot assure you that we will be able to anticipate and successfully respond to such trends in a timely manner. We cannot be certain that we will be able to compete successfully against current and future competitors, or that competitive pressure will not have a material adverse effect on our business, financial condition and results of operations.

There is volatility in our stock price.

The market for our common stock has, from time to time, experienced price and volume fluctuations. Factors such as announcements of variations in our quarterly financial results and fluctuations in revenue, as well as the expectations of stockholders and securities analysts regarding the ability of our business to grow and achieve certain revenue or profitability targets, could cause the market price of our common stock to fluctuate significantly. In addition, the stock market in general has experienced volatility that often has been unrelated to the operating performance of companies such as ours. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

CBIZ s corporate headquarters is located at 6050 Oak Tree Boulevard, South, Suite 500, Cleveland, Ohio 44131, in leased premises. CBIZ and its subsidiaries lease more than 100 offices in 33 states. CBIZ believes that its current facilities are sufficient for its current needs.

Table of Contents

Item 3. Legal Proceedings.

Legal Proceedings

In 2010, CBIZ, Inc. and its subsidiary, CBIZ MHM, LLC (fka CBIZ Accounting, Tax & Advisory Services, LLC) (the CBIZ Parties), were named as defendants in lawsuits filed in the U.S. District Court for the District of Arizona and the Superior Court for Maricopa County, Arizona. The federal court case is captioned Robert Facciola, et al v. Greenberg Traurig LLP, et al, and the state court cases are captioned Victims Recovery, LLC v. Greenberg Traurig LLP, et al, Roger Ashkenazi, et al v. Greenberg Traurig LLP, et al, Mary Marsh, et al v. Greenberg Traurig LLP, et al; and ML Liquidating Trust v. Mayer Hoffman McCann PC, et al. Prior to these suits CBIZ MHM, LLC was named as a defendant in Jeffrey C. Stone v. Greenberg Traurig LLP, et al.

These lawsuits arose out of the bankruptcy of Mortgages Ltd., a mortgage lender to developers in the Phoenix, Arizona area. Various other professional firms and individuals not related to the Company were also named defendants in these lawsuits.

Mortgages Ltd. had been audited by Mayer Hoffman, a CPA firm that has an administrative services agreement with CBIZ. The lawsuits asserted claims against Mayer Hoffman for, among others things, violations of the Arizona Securities Act, common law fraud, and negligent misrepresentation, and sought to hold the CBIZ Parties vicariously liable for Mayer Hoffman s conduct as either a statutory control person under the Arizona Securities Act or a joint venturer under Arizona common law. CBIZ is not a CPA firm, does not provide audits, and did not audit any of the entities at issue in these lawsuits, nor is CBIZ a control person of, or a joint venture with, Mayer Hoffman.

With the exception of claims being pursued by two plaintiffs from the Ashkenazi lawsuit (Baldino Group), all other matters have been dismissed or settled without payment by the CBIZ Parties. The Baldino Group s claims, which allege damages of approximately $16.0 million, are currently stayed as to the CBIZ Parties and Mayer Hoffman and no trial date has been set.

The CBIZ Parties deny all allegations of wrongdoing made against them and are vigorously defending the remaining proceedings relating to the Baldino Group s claims. In particular, the CBIZ Parties are not control persons under the Arizona Securities Act of, or in a joint venture with, Mayer Hoffman. The CBIZ Parties do not have, in any respects, the legal right to control Mayer Hoffman s audits or any say in how the audits are conducted. The Company has been advised by Mayer Hoffman that it denies all allegations of wrongdoing made against it and that it intends to continue vigorously defending the matters.

The Company cannot predict the outcome of the above matters or estimate the possible loss or range of loss, if any. Although the proceedings relating to the Baldino Group s claims are subject to uncertainties inherent in the litigation process and the ultimate disposition of these proceedings is not presently determinable, management believes that the allegations are without merit and that the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial condition, results of operations or cash flows of the Company.

In addition to those items disclosed above, the Company is, from time to time, subject to claims and suits arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not believe that the ultimate resolution of these matters will have a material adverse effect on the consolidated financial condition, results of operations or cash flows of the Company.

Item 4. Mine Safety Disclosures.

Not applicable.

Table of Contents

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.
Price Range of Common Stock

CBIZ s common stock is traded on the NYSE under the trading symbol CBZ . The table below sets forth the range of high and low sales prices for CBIZ s common stock as reported on the NYSE for the periods indicated.

	2015		2014	
	High	Low	High	Low
First quarter	$ 9.44	$ 7.93	$ 9.45	$ 8.19
Second quarter	$ 9.88	$ 8.65	$ 9.39	$ 8.16
Third quarter	$ 10.28	$ 9.07	$ 9.40	$ 7.87
Fourth quarter	$ 11.54	$ 9.78	$ 9.39	$ 7.78

On December 31, 2015, the last reported sale price of CBIZ s common stock as reported on the NYSE was $9.86 per share. As of February 29, 2016, CBIZ had approximately 2,100 holders of record of its common stock, and the last sale of CBIZ s common stock as of that date was $10.60.

Dividend Policy

CBIZ s credit facility does not permit the Company to declare or make any dividend payments, other than dividend payments made by one of CBIZ s wholly-owned subsidiaries to the parent company. Historically, CBIZ has not paid cash dividends on its common stock. CBIZ does not anticipate paying cash dividends in the foreseeable future. CBIZ s Board of Directors has discretion over the payment and level of dividends on common stock, subject to the limitations of the credit facility.

Issuer Purchases of Equity Securities

(a) Recent sales of unregistered securities
During the year ended December 31, 2015, CBIZ issued approximately 0.3 million shares of its common stock as payment for contingent consideration for acquisitions that occurred prior to 2015.

The above referenced shares were issued in transactions not involving a public offering in reliance on the exemption from registration afforded by Section 4(a)(2) of the Securities Act. The persons to whom the shares were issued had access to full information about CBIZ and represented that they acquired the shares for their own account and not for the purpose of distribution. The certificates for the shares contain a restrictive legend advising that the shares may not be offered for sale, sold, or otherwise transferred without having first been registered under the Securities Act or pursuant to an exemption from the Securities Act.

The 2010 Notes matured on October 1, 2015. Prior to the maturity date, the Company issued 5.1 million shares of CBIZ common stock plus cash consideration in privately negotiated transactions in exchange for retiring $49.3 million of its 2010 Notes during the second quarter of 2015. The issuances of common stock were made pursuant to the exemption from the registration provided by Section 3(a)(9) of the Securities Act, on the basis that the exchange constitutes an exchange with an existing holder exclusively in a privately negotiated transaction where no commission or other remuneration has been paid or given directly or indirectly for soliciting such exchange.

(c) Issuer purchases of equity securities
Periodically, CBIZ s Board of Directors authorizes a Share Repurchase Program (the Share Repurchase Program) which allows the Company to purchase shares of its common stock in the open market or in a privately negotiated transaction according to SEC rules. On February 11, 2015, February 13, 2014 and

19

Table of Contents

February 6, 2013, CBIZ s Board of Directors authorized the continuation of the Company s Share Repurchase Program, each of which authorized the purchase of up to 5.0 million shares of CBIZ common stock to be obtained in open market, privately negotiated, or 10b5-1 trading plan purchases. Each Share Repurchase Program is effective beginning April 1 of the respective plan year, and each expires one year from the respective effective date. The Share Repurchase Programs do not obligate CBIZ to acquire any specific number of shares and may be suspended at any time.

At December 31, 2015, we had 1.7 million common shares remaining for repurchase under the Share Repurchase Program expiring March 31, 2016. The Company did not repurchase shares of its common stock during the three months ended December 31, 2015.

On February 11, 2016, the CBIZ Board of Directors authorized the continuation of the Share Repurchase Program, which has been renewed annually for the past twelve years. This authorization renews the 5.0 million share authorization currently in place which expires on March 31, 2016.

CBIZ has utilized, and may utilize in the future, trading plans under Rule 10b5-1 to allow for repurchases by the Company during periods when it would not normally be active in the trading market due to regulatory restrictions. Subsequent to December 31, 2015 up to the date of this filing, CBIZ repurchased approximately 0.6 million shares in the open market at a total cost of approximately $6.1 million under the Company s current Rule 10b5-1 trading plan, which allows CBIZ to repurchase shares below a predetermined price per share. Additionally, the maximum number of shares that may be purchased by the Company each day is governed by Rule 10b-18 under the Exchange Act.

For the year 2013, CBIZ entered a Stock Purchase Agreement (the Purchase Agreement) with Westbury (Bermuda) Ltd. (Westbury), a company organized by CBIZ founder Michael G. DeGroote, in which CBIZ agreed to purchase from Westbury 3.9 million shares of CBIZ s common stock (the Purchased Shares), in accordance with an earlier agreement with Westbury (the Westbury Agreement). CBIZ agreed to pay Westbury $25.7 million for the Purchased Shares, which represented a price per share of $6.65. Following the completion of the purchase of the Purchased Shares, 3.9 million shares remained subject to the Westbury Agreement, for the remainder of its term, which expired on September 30, 2013.

Table of Contents

Performance Graph

The graph below matches the cumulative 5-Year total return of holders of CBIZ, Inc. s common stock with the cumulative total returns of the S&P 500 index, the Russell 2000 index and a customized peer group of five companies that includes: Brown & Brown, Inc., H & R Block, Inc., Paychex, Inc., Resources Connection, Inc. and Towers Watson & Company. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was $100 on 12/31/2010 and tracks it through 12/31/2015.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among CBIZ, Inc., the S&P 500 Index, the Russell 2000 Index, and a Peer Group

* $100 invested on 12/31/10 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/10	12/11	12/12	12/13	12/14	12/15
CBIZ, Inc.	**100.00**	**97.92**	**94.71**	**146.15**	**137.18**	**158.01**
S&P 500	**100.00**	**102.11**	**118.45**	**156.82**	**178.29**	**180.75**
Russell 2000	**100.00**	**95.82**	**111.49**	**154.78**	**162.35**	**155.18**
Peer Group	**100.00**	**107.55**	**118.74**	**188.30**	**197.19**	**222.15**

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Table of Contents

Item 6. Selected Financial Data.

The following table presents selected historical financial data for CBIZ. The information set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the accompanying consolidated financial statements and notes thereto, which are included elsewhere in this Annual Report.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(In thousands, except per share data)				
Statement of Operations Data:					
Revenue	$ 750,422	$ 719,483	$ 677,171	$ 612,689	$ 577,862
Operating expenses	653,944	629,804	593,339	540,305	504,324
Gross margin	96,478	89,679	83,832	72,384	73,538
Corporate general and administrative expenses	32,594	34,183	34,398	30,209	31,533
Operating income	63,884	55,496	49,434	42,175	42,005
Other (expense) income:					
Interest expense	(8,902)	(13,124)	(15,374)	(14,999)	(16,047)
Gain on sale of operations, net	84	1,303	79	2,766	2,920
Other income, net (1)	2,766	6,893	7,817	8,215	3,200
Total other expense, net	(6,052)	(4,928)	(7,478)	(4,018)	(9,927)
Income from continuing operations before income tax expense	57,832	50,568	41,956	38,157	32,078
Income tax expense	22,829	20,154	16,577	14,364	12,358
Income from continuing operations	35,003	30,414	25,379	23,793	19,720
(Loss) income from operations of discontinued operations, net of tax	(2,323)	(754)	2,148	7,263	8,273
Gain on disposal of discontinued operations, net of tax	1,427	99	58,336	90	14
Net income	$ 34,107	$ 29,759	$ 85,863	$ 31,146	$ 28,007
Basic weighted average common shares	50,280	48,343	48,632	49,002	49,328
Diluted weighted average common shares	52,693	51,487	49,141	49,252	49,599
Diluted earnings per share:					
Continuing operations	$ 0.66	$ 0.59	$ 0.52	$ 0.48	$ 0.40
Net income	$ 0.65	$ 0.58	$ 1.75	$ 0.63	$ 0.56
Other Data:					
Total assets	$ 998,200	$ 991,244	$ 897,458	$ 970,191	$ 812,357
Long-term debt (2)	$ 206,550	$ 203,969	$ 173,756	$ 332,538	$ 265,527
Total liabilities	$ 570,252	$ 591,399	$ 523,012	$ 674,959	$ 552,199
Total stockholders equity	$ 427,948	$ 399,845	$ 374,446	$ 295,232	$ 260,158
Adjusted EBITDA (3)	$ 87,039	$ 82,220	$ 75,542	$ 66,538	$ 59,945

(1) Other income, net includes net losses/gains attributable to assets held in the Company s deferred compensation plan which totaled net (losses)/gains of $(0.7) million, $3.7 million, $8.2 million, $4.3 million and $(0.4) million for 2015, 2014, 2013, 2012 and 2011, respectively. These net losses/gains do not impact Income from continuing operations before income tax expense as they are directly offset by compensation adjustments included in Operating expenses and Corporate general and administrative expenses.

During 2015, 2014, 2013, 2012 and 2011, CBIZ recorded other income (expense) of $2.9 million, $4.0 million, ($0.9) million, $1.0 million and $3.5 million, respectively, related to net decreases/increases in the fair value of contingent consideration related to CBIZ s prior acquisitions.

During 2015 and 2014, CBIZ recorded non-operating charges of $0.8 million and $1.5 million in Other income, net from the early retirement of $49.3 million and $32.4 million face value of its 2010 Notes. Included in 2012 are proceeds of $1.9 million related to a legal settlement. Also during 2015, CBIZ recorded other income of $1.6 million related to benefit incentives associated with an office relocation.

(2) Represents bank debt and the convertible notes, which are reported in the accompanying Consolidated Balance Sheets.

(3) Adjusted EBITDA, a Non-GAAP measure, represents income from continuing operations before income tax expense, interest expense, gain on sale of operations, net, and depreciation and amortization expense. The Company has included Adjusted EBITDA because such data is commonly used as a performance measure by analysts and investors and as a measure of the Company s ability to service debt. Adjusted EBITDA should not be regarded as an alternative or replacement to any measurement of performance under generally accepted accounting principles.

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion is intended to assist in the understanding of CBIZ s financial position at December 31, 2015 and 2014, and results of operations and cash flows for each of the years ended December 31, 2015, 2014 and 2013. This discussion should be read in conjunction with CBIZ s consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements and should also be read in conjunction with the disclosures and information contained in Forward-Looking Statements and Item 1A. Risk Factors in this Annual Report on Form 10-K.

Executive Summary

Revenue

Revenue for the year ended December 31, 2015 increased $30.9 million, or 4.3%, to $750.4 million from $719.5 million for the same period in 2014. The increase in revenue was attributable to an increase in same-unit revenue of $17.5 million, or 2.5%, and newly acquired operations, net of divestitures, of $13.4 million, or 1.8%.

Income from Continuing Operations

Income from continuing operations increased $4.6 million, or 15.1%, to $35.0 million for the year ended December 31, 2015 compared to $30.4 million for the year ended December 31, 2014. Refer to Results of Operations Continuing Operations for a detailed discussion of the components of income from continuing operations.

Earnings Per Diluted Share from Continuing Operations

Earnings per diluted share from continuing operations were $0.66, $0.59 and $0.52 for the years ended December 31, 2015, 2014 and 2013, respectively. The fully diluted weighted average share count was 52.7 million shares, 51.5 million shares and 49.1 million shares at December 31, 2015, 2014 and 2013.

The $48.4 million outstanding principal amount of the 2010 Notes matured on October 1, 2015. No shares of CBIZ common stock were issued in conjunction with the maturation of the 2010 Notes. For further discussion regarding the 2010 Notes, refer below under 2010 Notes in this Management s Discussion and Analysis of Financial Condition Results of Operations and Note 8 to the accompanying consolidated financial statements.

Prior to the October 1, 2015 maturity date, in privately negotiated transactions, the Company issued 5.1 million shares of CBIZ common stock plus cash consideration in exchange for retiring $49.3 million of its 2010 Notes during the second quarter of 2015. During the nine months ended September 30, 2014, the Company issued 1.5 million shares of CBIZ common stock plus cash consideration in privately negotiated transactions in exchange for retiring $32.4 million of its 2010 Notes.

The Company repurchased 3.8 million shares of CBIZ common stock during the year ended December 31, 2015 compared to 3.2 million shares of CBIZ common stock during the same period in 2014.

The common stock equivalents related to the 2010 Notes decreased 0.8 million shares to 1.2 million shares for the year ended December 31, 2015 from 2.0 million shares for the same period in 2014.

Excluding the impact of the common stock equivalents related to the 2010 Notes, fully diluted earnings per share from continuing operations would have been $0.68 and $0.61 for the years ended December 31, 2015 and 2014, respectively. The common stock equivalents had no impact on fully diluted weighted average shares in 2013.

Table of Contents

Non-GAAP Earnings Per Diluted Share from Continuing Operations

CBIZ believes Non-GAAP earnings per diluted share illustrate the impact of certain non-cash charges on income from continuing operations and is a useful performance measure for the Company, its analysts and its stockholders. Non-GAAP earnings per diluted share are a measurement prepared on a basis other than Generally Accepted Accounting Principles (GAAP).

Non-GAAP earnings per diluted share were $1.14 and $1.07 for the years ended December 31, 2015 and 2014, respectively.

Excluding the impact of the share equivalents related to the 2010 Notes, Non-GAAP earnings per diluted share would have been $1.16 and $1.12 for the years ended December 31, 2015 and 2014, respectively.

The Company has provided a reconciliation to the nearest GAAP measurement, earnings per diluted share from continuing operations for the years ended December 31, 2015, 2014 and 2013, respectively, and is provided in the Results of Operations Continuing Operations section.

Strategic Accomplishments and Other Events

The following items highlight the Company s significant strategic accomplishments and other events for the year ended December 31, 2015.

Appointment of Jerome Grisko, Jr. to the Company s Board of Directors

Jerome Grisko, Jr., President and COO, was appointed to the CBIZ Board of Directors, effective November 11, 2015. Mr. Grisko will assume the position of CEO in March 2016 following the retirement of Steven Gerard, CBIZ s current Chairman and CEO. Mr. Gerard will remain non-executive Chairman of the Board.

2010 Notes

The 2010 Notes matured on October 1, 2015. No shares of CBIZ common stock were issued in conjunction with the maturation of the $48.4 million outstanding principal amount of the 2010 Notes. Holders received $1,000 in cash for each $1,000 principal amount of 2010 Notes along with a premium of the conversion value over par value. The $71.8 million conversion value of the 2010 Notes was determined by a cash averaging period that began on October 5, 2015 and ended on October 30, 2015. Cash payments were settled on November 4, 2015 with funds available under the credit facility.

For further discussion regarding debt and financing arrangements, see Note 8 to the accompanying consolidated financial statements.

Share Repurchases

On February 11, 2016, CBIZ s Board of Directors authorized the purchase of up to 5.0 million shares of CBIZ common stock. The Company s Share Repurchase Program may be suspended or discontinued at any time and expires on April 1, 2017. The shares may be purchased in open market, privately negotiated transactions or Rule 10b5-1 trading plan purchases in accordance with the SEC rules. The Company s management will determine the timing and amount of the transactions based on its evaluation of market conditions and other factors.

CBIZ believes that repurchasing shares of its common stock under the Share Repurchase Program is a prudent use of the Company s financial resources, and that investing in its shares is an attractive use of capital and an efficient means to provide value to CBIZ shareholders.

The Company repurchased 3.8 million shares of CBIZ common stock at a total cost of approximately $35.2 million during the year ended December 31, 2015 compared to 3.2 million shares of CBIZ common stock at a total cost of approximately $26.6 million during the same period in 2014.

Table of Contents

Subsequent to December 31, 2015 up to the date of this filing, CBIZ repurchased approximately 0.6 million shares at a total cost of approximately $6.1 million under a Rule 10b5-1 trading plan, which allows CBIZ to repurchase shares below a predetermined price per share.

Acquisitions and Divestitures

For the year ended December 31, 2015, CBIZ completed three acquisitions and purchased six client lists.

Model, located in Trevose, Pennsylvania, effective March 1, 2015. Model provides employee benefit consulting services to mid-sized companies in the Philadelphia and Southern New Jersey markets. Annualized revenue attributable to Model is estimated to be approximately $4.2 million. Operating results attributable to Model are reported in the Employee Services practice group.

PRG, located in Woodstock, Georgia, effective October 1, 2015. PRG provides pension administration solutions including defined benefit administration, data warehousing, benefit communication, compensation statement and human capital services to clients ranging in size from 500 to over 60,000 participants. Annualized revenue attributable to PRG is estimated to be approximately $4.8 million. Operating results attributable to PRG are reported in the Employees Services practice group.

Cottonwood, located in Overland Park, Kansas, effective December 1, 2015. Cottonwood provides pension plan consulting, actuarial and investment services for institutional pension plans, retirement funds, endowment funds and foundations. Annualized revenue attributable to Cottonwood is estimated to be $3.1 million. Operating results attributable to Cottonwood are reported in the Employees Services practice group.

During the year ended December 31, 2015, CBIZ also purchased six client lists, all of which are reported in the Employee Services practice group.

Amendments to Credit Agreement

On April 10, 2015, CBIZ entered into an Amendment to the Credit Agreement that governs the credit facility, dated July 28, 2014, by and among the Company and Bank of America, N.A., as administrative agent and bank, and other participating banks, to remove certain events from the definition of Change of Control. This amendment had no impact on the terms of the credit facility (other than as described above), the accompanying Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows. For further discussion regarding debt and financing arrangements, see Note 8 to the accompanying consolidated financial statements.

On October 16, 2015, CBIZ entered into a Second Amendment to the Credit Agreement that governs the credit facility, dated as of July 28, 2014, by and among the Company and Bank of America, N.A., as administrative agent and bank, and other participating banks, to incorporate swap obligations in the Agreement. This amendment had no impact on the terms of the credit facility (other than as described above), the accompanying Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows.

Results of Operations   Continuing Operations

CBIZ provides professional business services that help clients manage their finances and employees. CBIZ delivers its integrated services through the following three practice groups: Financial Services, Employee Services and National Practices. A description of these groups operating results and factors affecting their businesses is provided below.

Same-unit revenue represents total revenue adjusted to reflect comparable periods of activity for acquisitions and divestitures. For example, for a business acquired on July 1, 2015, revenue for the period January 1, 2016

Table of Contents

through June 30, 2016 would be reported as revenue from acquired businesses; same-unit revenue would include revenue for the periods July 1 through December 31 of both years. Divested operations represent operations that did not meet the criteria for treatment as discontinued operations. Those businesses that have met the requirements to be treated as a discontinued operation are eliminated from continuing operations for all periods presented below.

Revenue

The following table summarizes total revenue for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,					
	2015	**Percent**	**2014**	**Percent**	**2013**	**Percent**
	(Dollars in thousands)					
Financial Services	$ 475,587	63.4%	$ 459,733	63.9%	$ 441,787	65.2%
Employee Services	226,482	30.2%	224,898	31.3%	204,863	30.3%
National Practices	29,533	3.9%	29,455	4.1%	30,074	4.4%
Total same-unit revenue	731,602	97.5%	714,086	99.3%	676,724	99.9%
Acquired businesses	18,820	2.5%				
Divested operations			5,397	0.7%	447	0.1%
Total revenue	$ 750,422	100.0%	$ 719,483	100.0%	$ 677,171	100.0%

A detailed discussion of revenue by practice group is included under Operating Practice Groups.

Operating Expenses

The following table presents our operating expenses for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
	2015	**2014**	**2013**
(Dollars in thousands, except percentages)			
Operating expenses	$ 653,944	$ 629,804	$ 593,339
Operating expenses % of revenue	87.1%	87.5%	87.6%

2015 Compared to 2014

Operating expenses increased $24.1 million, or 3.8% during the year ended December 31, 2015 compared to the same period in 2014 and was primarily due to an increase in expenses related to personnel costs and adjustments to the fair value of investments held in relation to the deferred compensation plan. The increase in personnel costs by the individual practice groups is discussed in further detail under Operating Practice Groups.

Personnel costs increased $20.2 million, or 4.2%, primarily due to an increase in salaries and wages and the related benefits as well as increases in commissions paid. Acquisitions contributed approximately $11.0 million to personnel costs.

Operating expenses include a benefit of $0.6 million in 2015 and an expense of $3.2 million in 2014, respectively, related to the Company s deferred compensation plan.

Excluding these items, operating expenses would have been $654.5 million and $626.6 million, or 87.2% and 87.1% of revenue for the years ended December 31, 2015 and 2014, respectively.

Benefits and expenses related to the Company s deferred compensation plan are directly offset by Other (expense) income, net and have no impact on Income from continuing operations before income tax expense.

The remaining fluctuation consists of other operating expenses of which none are individually significant.

Table of Contents

2014 Compared to 2013

Operating expenses increased $36.5 million, or 6.1% during the year ended December 31, 2014 compared to the same period in 2013 and was primarily due to an increase in expenses related to personnel costs and travel and related costs. The increase in personnel costs and travel and related costs by the individual practice groups is discussed in further detail under Operating Practice Groups.

Personnel costs increased $27.3 million, or 6.1%, and were attributable to the same factors as discussed above in the 2015 compared to 2014 period. Acquisitions contributed approximately $14.5 million to personnel costs.

Travel and related costs contributed an increase of approximately $1.9 million, or 10.2%, due to a higher volume of engagement-related costs (which are billed to clients) and the impact of acquisitions.

Other operating expenses such as computer and equipment costs and depreciation and amortization increased nearly $4.0 million due to acquisitions. Acquisitions are discussed in further detail under Operating Practice Groups. Operating expenses for the years ended December 31, 2014 and 2013 include expenses of $3.2 million and $7.4 million, respectively, related to the Company s deferred compensation plan.

Excluding these items, operating expenses would have been $626.6 million and $586.0 million, or 87.1% and 86.5% of revenue for the years ended December 31, 2014 and 2013, respectively.

Benefits and expenses related to the Company s deferred compensation plan are directly offset by Other (expense) income, net and have no impact on Income from continuing operations before income tax expense.

The remaining fluctuation consists of other operating expenses of which none are individually significant.

Gross Margin

The following table presents our gross margin for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
	2015	**2014**	**2013**
(Dollars in thousands, except percentages)			
Gross margin	$ 96,478	$ 89,679	$ 83,832
Gross margin % of revenue	12.9%	12.5%	12.4%

2015 Compared to 2014

Gross margin increased $6.8 million, or 7.6%, to $96.5 million for the year ended December 31, 2015 from $89.7 million for the same period in 2014 and increased as a percentage of revenue to 12.9% for the year ended December 31, 2015 from 12.5% for the same period in 2014.

Gross margin includes a benefit in 2015 and an expense in 2014 related to the Company s deferred compensation plan as discussed above under Operating expenses. Excluding these items, gross margin would have been $95.9 million and $92.9 million, or 12.8% and 12.9%, for the years ended December 31, 2015 and 2014, respectively. The impact on gross margin by the individual practice groups is discussed in further detail under Operating Practice Groups.

2014 Compared to 2013

Gross margin increased $5.8 million, or 7.0%, to $89.7 million for the year ended December 31, 2014 from $83.8 million for the year ended December 31, 2013 and remained flat as a percentage of revenue at 12.5% and 12.4% for the years ended December 31, 2015 and 2014, respectively.

Table of Contents

Gross margin includes expenses related to the Company s deferred compensation plan as discussed above under Operating expenses. Excluding these items, gross margin would have been $92.9 million and $91.2 million, or 12.9% and 13.5%, for the years ended December 31, 2014 and 2013, respectively. The impact on gross margin by the individual practice groups is discussed in further detail under Operating Practice Groups.

Corporate General and Administrative (G&A) Expenses

The following table presents our G&A expenses for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
	2015	**2014**	**2013**
(Dollars in thousands, except percentages)			
G&A expenses	$ 32,594	$ 34,183	$ 34,398
G&A expenses % of revenue	4.3%	4.8%	5.1%

2015 Compared to 2014

The decrease in G&A expenses for the year ended December 31, 2015 compared to the year ended December 31, 2014 was primarily due to a decrease in professional fees of $1.2 million and personnel costs of $0.3 million.

The decrease in professional fees was primarily attributable to a decrease in legal expenses related to case dismissals and settlements. For further discussion regarding legal proceedings, see Note 11 to the accompanying consolidated financial statements.

The decrease in personnel cost was attributable to a decrease in incentive-based compensation.

G&A expenses include a benefit of $0.1 million in 2015 and an expense of $0.5 million in 2014, respectively, related to the Company s deferred compensation plan.

Excluding these items, G&A expenses would have been $32.7 million and $33.7 million, or 4.4% and 4.7% of revenue for the years ended December 31, 2015 and 2014, respectively.

Benefits and expenses related to the Company s deferred compensation plan are directly offset by Other (expense) income, net and have no impact on Income from continuing operations before income tax expense.

2014 Compared to 2013

The decrease in G&A expenses for the year ended December 31, 2014 compared to the same period in 2013 was primarily the result of lower legal fees incurred in 2014 compared to 2013.

G&A expenses for the years ended December 31, 2014 and 2013 include expenses of $0.5 million and $0.8 million, respectively, related to the Company s deferred compensation plan.

Excluding these items, G&A expenses would have been $33.7 million and $33.6 million, or 4.7% and 5.0% of revenue for the years ended December 31, 2014 and 2013, respectively.

Benefits and expenses related to the Company s deferred compensation plan are directly offset by Other (expense) income, net and have no impact on Income from continuing operations before income tax expense.

Table of Contents

Other (Expense) Income

The following tables present our other (expense) income for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
	2015	2014	2013
(Dollars in thousands)			
Interest expense	$ (8,902)	$ (13,124)	$ (15,374)
Gain on sale of operations, net	84	1,303	79
Other income, net (1)	2,766	6,893	7,817
Total other expense, net	$ (6,052)	$ (4,928)	$ (7,478)

(1) Other income, net includes net losses and gains associated with the value of investments held in a rabbi trust related to the deferred compensation plan. The adjustments to the investments held in a rabbi trust related to the deferred compensation plan do not impact CBIZ s other expense, net as they are offset by a corresponding increase or decrease to compensation expense, which is recorded as operating and G&A expenses in the accompanying Consolidated Statements of Comprehensive Income.

A net loss of $0.7 million and net gains of $3.7 million and $8.2 million are included in the years ended December 31, 2015, 2014 and 2013, respectively.

Interest Expense

The decrease in interest expense was due to:

The maturation of the 2010 Notes during the fourth quarter of 2015 at an interest rate of 7.50% with $71.8 million cash from the credit facility at a weighted average interest rate of 2.02%.

Also contributing to the decrease was the early retirement of the 2010 Notes during the second quarter of 2015 and nine months ended September 30, 2014 at an interest rate of 7.50% with funds available under the credit facility at a weighted average interest rate of 2.14% (second quarter of 2015) and 2.55% (nine months ended September 30, 2014).

Debt and financing arrangements are further discussed in Note 8 to the accompanying consolidated financial statements.

Gain on Sale of Operations, Net

The gain on sale of operations, net of $1.3 million for the year ended December 31, 2014 was primarily attributable to the sale of the Miami office under the Financial Services practice group.

Other Income, Net

2015

Adjustments to the fair value of the Company s contingent purchase price liability related to prior acquisitions resulted in other income of $2.9 million for the year ended December 31, 2015.

During the year ended December 31, 2015, the Company recorded other income of $1.6 million related to benefit incentives associated with an office relocation. No such other income was recorded during the year ended December 31, 2014 and 2013.

Also included in Other income, net for the year ended December 31, 2015 is a non-operating charge of $0.8 million from the early retirement of the 2010 Notes in the second quarter of 2015.

Table of Contents

2014

Adjustments to the fair value of the Company s contingent purchase price liability related to prior acquisitions resulted in other income of $4.0 million during the year ended December 31, 2014.

Also included in Other income, net for the year ended December 31, 2014 is a non-operating charge of $1.5 million from the early retirement of the 2010 Notes in 2014.

2013

Adjustments to the fair value of the Company s contingent purchase price liability related to prior acquisitions resulted in other expense of $0.9 million during the year ended December 31, 2013.

Income Tax Expense

The following tables present our income tax expense for the years ended December 31, 2015, 2014 and 2013:

Year Ended December 31, (Dollars in thousands, except percentages)	2015	2014	2013
Income tax expense	$ 22,829	$ 20,154	$ 16,577
Effective tax rate	39.5%	39.9%	39.5%

CBIZ recorded income tax expense from continuing operations of $22.8 million, $20.2 million and $16.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. The effective tax rate for the years ended December 31, 2015, 2014 and 2013 was 39.5%, 39.9% and 39.5%, respectively. For further discussion regarding income tax expense, see Note 7 to the accompanying consolidated financial statements.

Earnings Per Share and Non-GAAP Earnings Per Share

The following table is a reconciliation of income from continuing operations to Non-GAAP earnings from operations and diluted earnings per share from continuing operations to Non-GAAP earnings per share for the years ended December 31, 2015, 2014 and 2013.

NON-GAAP EARNINGS AND PER SHARE DATA

Reconciliation of Income from Continuing Operations to Non-GAAP Earnings from Continuing Operations

Year Ended December 31, (Dollars in thousands, except per share data)	2015	Per Share	2014	Per Share	2013	Per Share
Income from continuing operations	$ 35,003	$ 0.66	$ 30,414	$ 0.59	$ 25,379	$ 0.52
Selected non-cash charges:						
Amortization expense	14,731	0.28	14,478	0.29	13,535	0.27
Depreciation expense	5,658	0.11	5,353	0.10	4,756	0.10

Non-cash interest on convertible notes		1,434		0.03		2,728		0.05		2,840		0.06
Stock-based compensation		5,729		0.11		6,205		0.12		5,655		0.12
Adjustment to contingent earnouts		(2,853)		(0.05)		(3,988)		(0.08)		865		0.01
Non-cash charges	$	24,699	$	0.48	$	24,776	$	0.48	$	27,651	$	0.56
Non-GAAP earnings continuing operations	$	59,702	$	1.14	$	55,190	$	1.07	$	53,030	$	1.08

Table of Contents

Earnings per share from continuing operations were $0.66, $0.59 and $0.52 for the years ended December 31, 2015, 2014 and 2013, respectively.

Non-GAAP earnings per share were $1.14, $1.07 and $1.08 for the years ended December 31, 2015, 2014 and 2013, respectively. The Company believes Non-GAAP earnings and Non-GAAP earnings per diluted share illustrate the impact of certain non-cash charges and credits to income from continuing operations and are a useful performance measure for the Company, its analysts and its stockholders. Management uses these performance measures to evaluate CBIZ s business, including ongoing performance and the allocation of resources. Non-GAAP earnings and Non-GAAP earnings per diluted share are provided in addition to the presentation of GAAP measures and should not be regarded as a replacement or alternative of performance under GAAP.

Operating Practice Groups

CBIZ delivers its integrated services through three practice groups: Financial Services, Employee Services and National Practices. A description of these groups operating results and factors affecting their businesses is provided below.

Financial Services

	Year Ended December 31,		$	%
	2015	2014	Change	Change
	(Dollars in thousands)			
Revenue				
Same-unit	$ 475,587	$ 459,733	$ 15,854	3.4%
Acquired businesses	809		809	
Divested operations		5,397	(5,397)	
Total revenue	476,396	465,130	11,266	2.4%
Operating expenses	412,211	399,783	12,427	3.1%
Gross margin	$ 64,185	$ 65,347	$ (1,161)	(1.8)%
Gross margin percent	13.5%	14.0%		

	Year Ended December 31,		$	%
	2014	2013	Change	Change
	(Dollars in thousands)			
Revenue				
Same-unit	$ 454,809	$ 441,787	$ 13,022	2.9%
Acquired businesses	10,321		10,321	
Total revenue	465,130	441,787	23,343	5.3%
Operating expenses	399,783	380,660	19,123	5.0%
Gross margin	$ 65,347	$ 61,127	$ 4,220	6.9%
Gross margin percent	14.0%	13.8%		

Table of Contents

2015 Compared to 2014

Revenue

The increase in same-unit revenue was primarily the result of stronger performances in the units that provide national services, which increased approximately $12.9 million, or 9.3%. This was primarily due to increased project work and growth in the federal and state governmental healthcare compliance business and in CBIZ s risk and advisory practice. With respect to the accounting units, same-unit revenue was up slightly as a result in increased accounting related services.

The growth in revenue from acquisitions was provided by LBR, located in Tampa, Florida, that was acquired effective February 1, 2014. The revenue from divestitures was from a Financial Services business located in Miami which was sold on November 1, 2014.

CBIZ provides a range of services to affiliated CPA firms under ASAs. Fees earned by CBIZ under the ASAs are recorded as revenue in the accompanying Consolidated Statements of Comprehensive Income and were approximately $137.5 million and $133.7 million for the years ended December 31, 2015 and 2014, respectively.

Operating Expenses

The largest components of operating expenses for the Financial Services practice group are personnel costs, occupancy costs, and travel and related costs, which represent 89.3% and 89.5% of total operating expenses and 77.3% and 76.9% of total revenue for the years ended December 31, 2015 and 2014, respectively.

Personnel costs were $326.7 million and $318.2 million, or 68.6% and 68.4% of revenue, for the years ended December 31, 2015 and 2014, respectively. The increase was attributable to staff compensation increases of $7.2 million and related benefit cost increases of $0.7 million.

Occupancy costs were $26.9 million and $24.6 million, or 5.7% and 5.3% of revenue, for the years ended December 31, 2015 and 2014, respectively. The increase was primarily due to additional costs related to the relocation of the Kansas City office as well as increases in common area charges at numerous other locations.

Travel and related costs were $14.5 million and $14.8 million, or 3.0% and 3.2% of revenue, for the years ended December 31, 2015 and 2014, respectively. The decrease is primarily due to a reduction in training and conferences related costs partially offset by an increase in expenses billed to clients.

2014 Compared to 2013

Revenue

The growth in same-unit revenue was approximately 50% attributable to the traditional accounting and tax services and 50% attributable to stronger performance in the units that provide certain national services.

The growth in the traditional accounting and tax services was due to price increases on services performed during the year ended December 31, 2014 compared to the same period in 2013.

Growth in the national units was primarily due to a 9.7% increase in revenue related to those units that provide valuation services and a 6.0% increase in revenue related to the federal and state governmental health care compliance industry.

The growth in revenue from acquisitions was provided by:

Knight Field Fabry, LLP (Knight), located in Denver, Colorado, acquired effective November 1, 2013, and

LBR, located in Tampa, Florida, acquired effective February 1, 2014.

Table of Contents

Fees earned by CBIZ under the ASAs were approximately $133.7 million and $133.5 million for the years ended December 31, 2014 and 2013, respectively. The decrease in ASA fees was primarily due to a decrease in demand for attest services.

Operating Expenses

Personnel costs, occupancy costs, and travel and related costs represented 89.5% and 89.3% of total operating expenses and 76.9% and 76.9% of total revenue for the years ended December 31, 2014 and 2013, respectively.

Personnel costs increased $15.8 million during the year ended December 31, 2014 compared to the same period in 2013, and represented 68.4% and 68.5% of revenue for the years ended December 31, 2014 and 2013, respectively. The increase was largely attributable to the acquisition of LBR and Knight, comprising $7.7 million of the variance, as well as a same-unit increase of $8.1 million due to staff compensation increases and an increase in headcount, particularly at the units offering national services.

Occupancy costs are relatively fixed in nature and were $24.6 million and $23.9 million, or 5.3% and 5.4% of revenue, for the years ended December 31, 2014 and 2013, respectively. The increase in occupancy costs was related primarily to the LBR acquisition.

Travel and related costs were $14.8 million and $13.4 million, or 3.2% and 3.0% of total revenue, for the years ended December 31, 2014 and 2013, respectively. The increase in travel and related costs was due to a higher volume of engagement-related costs (which are billed to clients) and the impact of the LBR acquisition.

In addition to the expenses discussed above, professional service costs were $4.1 million and $6.2 million, or 0.9% and 1.4% of total revenue, for the years ended December 31, 2014 and 2013, respectively. The decrease in professional service costs primarily resulted from a decrease in the use of third-party consultants at the units offering federal and state governmental health care consulting services. The increase in headcount as mentioned above replaced the need for certain outside services.

Employee Services

	Year Ended December 31,		$	%
	2015	2014	Change	Change
(Dollars in thousands)				
Revenue				
Same-unit	$ 226,482	$ 224,898	$ 1,584	0.7%
Acquired businesses	18,011		18,011	
Total revenue	244,493	224,898	19,595	8.7%
Operating expenses	202,787	186,002	16,786	9.0%
Gross margin	$ 41,706	$ 38,896	$ 2,809	7.2%
Gross margin percent	17.1%	17.3%		

Table of Contents

	Year Ended December 31, 2014	2013	$ Change	% Change
	(Dollars in thousands)			
Revenue				
Same-unit	$ 211,514	$ 204,863	$ 6,651	3.2%
Acquired businesses	13,384		13,384	
Total revenue	224,898	204,863	20,035	9.8%
Operating expenses	186,002	168,696	17,306	10.3%
Gross margin	$ 38,896	$ 36,167	$ 2,729	7.5%
Gross margin percent	17.3%	17.7%		

2015 Compared to 2014

Revenue

The increase in same-unit revenue was primarily attributable to increases in the Company s property and casualty, payroll, and human capital services groups, offset by a decrease in the life insurance business and in the retirement plan services group.

Property and casualty revenues increased $2.4 million, or 5.3% primarily due to a strong performance within the specialty program businesses and an increase in carrier bonus payments.

Payroll business revenues increased $1.5 million, or 5.1% due to higher pricing coupled with an increase in processing volume for payroll and related services.

Human capital services group revenues increased $1.0 million, or 11.5% primarily due to an increase consulting projects and executive placements.

These increases were partially offset by a decline in the life insurance business of $1.7 million, or 28.9%, due to the inconsistent nature in the demand for life insurance plans and a decrease in retirement consulting revenues of $1.0 million or 2.6%, due to lower actuarial fee based revenues.

The growth in revenue from acquisitions was provided by:

Tegrit Group, LLC, a retirement plan services business located in Akron, Ohio, that was acquired effective June 1, 2014;

Sattler Insurance Agency, a property and casualty firm located in Lewiston, Idaho, that was acquired effective September 1, 2014;

Weekes & Callaway, Inc., primarily a property and casualty firm located in Delray Beach, Florida, that was acquired effective November 1, 2014;

Model, an employee benefits broker located in Philadelphia, Pennsylvania, that was acquired effective March 1, 2015;

Pension Resource Group, Inc., a niche pension administration firm in Woodstock, Georgia, that was acquired effective October 1, 2015 and

The Cottonwood Group, an actuarial and advisory firm in Overland Park, Kansas, that was acquired effective December 1, 2015.

Table of Contents

Operating Expenses

The largest components of operating expenses for the Employee Services group are personnel costs, including commissions paid to third party brokers, and occupancy costs, representing 81.1% and 81.4% of total operating expenses and 67.3% and 67.3% of total revenue for the years ended December 31, 2015 and 2014, respectively.

Excluding costs related to the acquired businesses of $11.0 million, personnel costs increased approximately $0.5 million, primarily due to commissions paid to producers relating to the increased revenue in the property and casualty, payroll and human capital services businesses as well as investments in the employee benefits business.

Occupancy costs were $13.2 million, or 5.4% of revenue and $11.5 million, or 5.1% of revenue, for the years ended December 31, 2015 and 2014, respectively. The increase in occupancy costs was primarily due to business acquisitions and additional costs related to the relocation of the Kansas City office.

Travel and related costs and other operating expenses such as professional fees, office expenses, equipment costs, depreciation and amortization and other expenses, of which none are individually significant, increased nearly $2.5 million due to acquisitions and investments in the employee benefits business.

2014 Compared to 2013

Revenue

The increase in same-unit revenue was primarily attributable to increases in the Company s employee benefits, property and casualty, payroll, retirement plan services and human capital services groups, offset by a decrease in the life insurance business.

Employee benefits revenues increased $2.7 million, or 3.0%, due to strong client retention and growth from new clients in 2014 as well as an increase in volume-based carrier bonus payments.

Property and casualty revenues increased $2.8 million, or 7.5%, primarily due to strong performance within the specialty program businesses and an increase in volume-based carrier bonus payments.

Payroll business revenues increased $0.6 million, or 2.1%, due to an increase in volume resulting from new clients coupled with pricing increases for core services.

Retirement consulting revenues increased $0.9 million, or 3.0%, due to net growth in assets resulting from client contributions and favorable equity market conditions.

Human capital services revenue increased $0.9 million, or 11.3%, due to higher billings in the third and fourth quarters of 2014 compared to the same time period of 2013.

These increases were partially offset by a decline in the life insurance business of $1.2 million, or 16.9%, due to a decline in the average policy premium.

The growth in revenue from acquisitions was provided by:

Associated Insurance Agents (AIA), a property and casualty and employee benefits business located in Minneapolis, Minnesota, that was acquired effective May 1, 2013;

Clearview, an employee benefits broker located in Waltham, Massachusetts, that was acquired effective January 1, 2014;

Centric, a property and casualty firm located in New Providence, New Jersey, that was acquired effective January 1, 2014;

Tegrit, a retirement plan services business located in Akron, Ohio, that was acquired effective June 1, 2014;

Table of Contents

Sattler, a property and casualty firm located in Lewiston, Idaho, that was acquired effective September 1, 2014; and

W&C, primarily a property and casualty firm located in Delray Beach, Florida, that was acquired effective November 1, 2014.

Operating Expenses

Personnel costs, including commissions paid to third party brokers, and occupancy costs, represented 81.4% and 82.1% of total operating expenses and 67.8% and 67.6% of total revenue for the years ended December 31, 2014 and 2013, respectively.

Excluding costs related to the acquired businesses of $6.8 million, personnel costs increased approximately $5.6 million, primarily due to commissions paid to producers relating to new revenue growth in the employee benefits, property and casualty, payroll, human capital services, and retirement plan services businesses.

Occupancy costs were $11.5 million, or 5.1% of revenue, and $11.3 million, or 5.5% of revenue, for the years ended December 31, 2014 and 2013, respectively, and increased due to the acquisitions in 2014.

Travel and related costs and other operating expenses such as professional fees, office expenses, equipment costs, depreciation and amortization and other expenses, of which none are individually significant, increased nearly $3.0 million due to acquisitions.

National Practices

	Year Ended December 31,		$	%
	2015	2014	Change	Change
(Dollars in thousands)				
Revenue				
Same-unit	$ 29,533	$ 29,455	$ 78	0.3%
Operating expenses	26,417	26,798	(381)	(1.4)%
Gross margin	$ 3,116	$ 2,657	$ 459	17.3%
Gross margin percent	10.6%	9.0%		

	Year Ended December 31,		$	%
	2014	2013	Change	Change
(Dollars in thousands)				
Revenue				
Same-unit	$ 29,455	$ 30,074	$ (619)	(2.1)%
Divested operations		447	(447)	
Total revenue	29,455	30,521	(1,066)	(3.5)%
Operating expenses	26,798	27,589	(791)	(2.9)%
Gross margin	$ 2,657	$ 2,932	$ (275)	(9.4)%

Gross margin percent	9.0%	9.6%

The National Practices group is primarily comprised of a cost-plus contract with CBIZ s largest client (Edward Jones) and CBIZ s health care consulting business. Since 1999, the cost-plus contract period with Edward Jones has been renewed several times with the most recent renewal through December 31, 2018. Revenues from the Edward Jones business accounted for approximately 70.0% of the National Practice group s revenue, with the health care consulting accounting for the remaining revenue.

Table of Contents

2015 Compared to 2014

Revenue remained flat for the years ended December 31, 2015 and 2014. Operating expenses decreased $0.4 million, or 1.4%, to $26.4 million for the year ended December 31, 2015 from $26.8 million for the comparable period in 2014 primarily due to lower legal fees incurred by the healthcare consulting business in 2015 compared to 2014.

2014 Compared to 2013

Revenue

The decrease in revenue for the year ended December 31, 2014 compared to the same period in 2013 was attributable to an increase in services provided to Edward Jones in 2013 as a result of an increase in required technology support, whereas no such increase occurred during the comparable period in 2014. Effective December 1, 2013, CBIZ sold its merger and acquisition business which comprises the divested operations for the year ended December 31, 2013.

Operating Expenses

The largest components of operating expenses for the National Practices group are personnel costs, professional services and occupancy costs representing 96.0% and 94.7% of total operating expenses and 87.3% and 85.6% of total revenue for the years ended December 31, 2014 and 2013, respectively.

Personnel costs decreased $0.8 million for the year ended December 31, 2014 compared to the same period in 2013, and remained flat as a percentage of revenue at 83.1% and 82.9% for the years ended December 31, 2014 and 2013, respectively. The decrease in personnel costs is due primarily to an increase in demand for services provided under the Edward Jones cost-plus contract arrangement in 2013, whereas no such increase occurred during the comparable period in 2014.

Financial Condition

Total assets were $998.2 million at December 31, 2015, compared to $991.2 million for the same period in 2014. Current assets of $372.5 million exceeded current liabilities of $271.1 million by $101.4 million.

Accounts receivable, net, were $153.6 million and $143.0 million at December 31, 2015 and 2014, respectively. Days sales outstanding (DSO) from continuing operations were 72 days at December 31, 2015 compared to 70 days at December 31, 2014. DSO represents accounts receivable and unbilled revenue (net of realization adjustments) at the end of the period, divided by trailing twelve months daily revenue. CBIZ provides DSO data because such data is commonly used as a performance measure by analysts and investors and as a measure of the Company s ability to collect on receivables in a timely manner.

Assets of discontinued operations were $5.2 million at December 31, 2014 due to the sale of materially all of the assets of two small businesses under the Financial Services practice group that were discontinued during the year ended December 31, 2014.

Funds held for clients of $171.5 million and $182.8 million at December 31, 2015 and 2014, respectively, primarily relate to CBIZ s payroll services business. The balances in these accounts fluctuate with the timing of cash receipts and the related cash payments. The nature of this account is further described in Note 1 to the accompanying consolidated financial statements.

Goodwill and other intangible assets, net increased by $9.2 million to $535.7 million at December 31, 2015 from $526.5 million at December 31, 2014. This increase is comprised of additions to goodwill of $14.0 million and additions to intangible assets of $11.5 million resulting from acquisitions. These additions are partially offset by $14.7 million of amortization expense.

Table of Contents

Assets of the deferred compensation plan represent participant deferral accounts and are directly offset by deferred compensation plan obligations. Assets and liabilities of the deferred compensation plan were $64.2 million and $60.3 million at December 31, 2015 and 2014, respectively. The plan is described in further detail in Note 12 to the accompanying consolidated financial statements.

Contingent purchase price liabilities (current and non-current) are comprised of purchase price liabilities that arise from business acquisitions. The decrease of $8.6 million in the contingent liabilities (current and non-current) was due to:

- $12.0 million of cash payments, $3.9 million in subsequent measurement adjustments and $2.3 million in stock payments.

- These decreases were offset by an increase in contingent liabilities of $8.5 million from current year business acquisitions, $1.0 million in stock price adjustments related to prior acquisitions and $0.1 million in net present value adjustments to the liabilities.

Liabilities of discontinued operations were $1.3 million at December 31, 2014 due to the two small businesses under the Financial Services segment that were sold during the year ended December 31, 2015.

Client fund obligations of $171.3 million and $183.9 million at December 31, 2015 and 2014, respectively, primarily relate to CBIZ s payroll services business. The balances in these accounts fluctuate with the timing of cash receipts and the related cash payments. Client fund obligations can differ from funds held for clients due to changes in the market value of the underlying investments. The nature of these accounts is further described in Note 1 to the accompanying consolidated financial statements.

The $95.8 million decrease in the carrying value of the convertible notes at December 31, 2015 compared to December 31, 2014 represents the early retirement of the 2010 Notes in the second quarter of 2015 and maturation of the remaining 2010 Notes in the fourth quarter of 2015. The convertible notes are further discussed in Note 8 to the accompanying consolidated financial statements.

Bank debt amounts due on CBIZ s credit facility increased $98.4 million to $205.8 million at December 31, 2015 from $107.4 million at December 31, 2014. This increase was primarily attributable to additional borrowings for use in the retirement of the 2010 Notes. The credit facility is further discussed in Note 8 to the accompanying consolidated financial statements.

Stockholders equity increased by $28.1 million to $427.9 million at December 31, 2015 from $399.8 million at December 31, 2014. The increase was primarily attributable to:

- Net income of $34.1 million,

- Additional paid-in capital increase of $30.3 million primarily attributable to:

  - CBIZ stock award programs which contributed $17.3 million,

  - Additional paid-in capital activity of $9.4 million related to the early retirement of a portion of the 2010 Notes in the second quarter of 2015 as well as the maturation of the 2010 Notes on October 1, 2015.

  - The remaining activity is related to the issuance of shares of CBIZ common stock related to business acquisitions and contingent payments related to prior acquisitions.

These increases were partially offset by $36.5 million related to the repurchase of 3.9 million shares of CBIZ common stock, which includes Share Repurchase Plan activity of approximately 3.8 million shares repurchased at a total cost of approximately $35.2 million. The remaining activity is related to the settlement of restricted stock transactions.

Table of Contents

Liquidity

Our principal sources of liquidity are cash generated from operating activities and financing activities. Our cash flows from operating activities are driven primarily by our operating results and changes in our working capital requirements and our cash flows from financing activities are dependent upon our ability to access credit or other capital. We historically maintain low cash levels and apply any available cash to pay down the outstanding debt balance.

Total cash and cash equivalents were $0.9 million and $1.0 million for the years ended December 31, 2015 and 2014, respectively. CBIZ experiences a significant use of cash to fund working capital requirements during the first quarter of each fiscal year. This is primarily due to the seasonal accounting and tax services period under the Financial Services practice group. Accounts receivable balances increase in response to the increase in first quarter revenue generated by the Financial Services practice group. A significant amount of this revenue is billed and collected in subsequent quarters.

Upon completion of the seasonal accounting and tax services period, cash provided by operations during the remaining three quarters of the fiscal year substantially exceed the use of cash in the first quarter of the fiscal year.

Total cash provided by operating activities from continuing operations during the remaining three quarters of 2015 was $70.7 million as compared to $24.3 million used in the first quarter of 2015.

The following table presents selected cash flow information (in thousands). For additional details, refer to the accompanying Consolidated Statements of Cash Flows.

	Year Ended December 31,		
	2015	**2014**	**2013**
Net cash provided by continuing operations	$ 46,396	$ 43,117	$ 42,007
Operating cash flows provided by (used in) discontinued operations (1)	990	801	(43,525)
Net cash provided by (used in) operating activities	47,386	43,918	(1,518)
Net cash (used in) provided by investing activities	(6,949)	(63,918)	174,992
Net cash (used in) provided by financing activities	(40,566)	20,208	(173,602)
(Decrease) increase in cash and cash equivalents	$ (129)	$ 208	$ (128)

(1) Included in operating cash flows used in discontinued operations in 2013 was cash paid for taxes of $47.5 million related to the gain on sale of MMP.

Operating Activities

Cash flows from operating activities represent net income adjusted for certain non-cash items and changes in assets and liabilities.

<u>2015 Compared to 2014</u>

Net cash provided by operating activities was $47.4 million and $43.9 million for the years ended December 31, 2015 and 2014, respectively. The $3.5 million increase was primarily due to a $4.3 million increase in net income in 2015, compared to 2014.

Table of Contents

2014 Compared to 2013

Net cash provided by operating activities was $43.9 million for the year ended December 31, 2014, compared to net cash used in operating activities of $1.5 million for the same period in 2013. The $45.4 million increase in cash provided by operations was primarily due to:

- $0.7 million net gain from discontinued operations in 2014, compared to a $60.6 million net gain from discontinued operations in 2013, which was mainly due to the sale of MMP.
- Cash provided by discontinued operations was $0.8 million in 2014, compared to cash used in discontinued operations of $43.5 million in 2013, which included $47.5 million cash paid for income taxes in 2013 related to the gain on sale of MMP.
- The increases mentioned above were partially offset by a net income decrease of $56.1 million to $29.8 million in 2014, compared to $85.9 million in 2013.

Investing Activities

CBIZ s investing activities typically result in a net use of cash, and generally consist of payments for business acquisitions and client lists, purchases of capital equipment, net activity related to funds held for clients and the collection of notes receivable. Capital expenditures consisted of investments in technology, leasehold improvements and purchases of furniture and equipment.

Net cash used in investing activities was $6.9 million and $63.9 million for the years ended December 31, 2015 and 2014, respectively. Net cash provided by investing activities was $175.0 million for the year ended December 31, 2013.

2015

- Net cash used in investing activities in 2015 consisted primarily of:
  - $14.6 million used mainly for the acquisition of Model, Cottonwood, PRG and the purchase of client lists and capital expenditures of $7.4 million,
  - The net cash used in investing activities mentioned above was partially offset by $11.1 million net activity related to funds held for clients and cash provided by discontinued operations of $2.8 million related to the property tax business.

2014

- Net cash used in investing activities in 2014 consisted primarily of:
  - $46.0 million used primarily for the acquisition of Weekes and Callaway, Tegrit, LBR, Clearview, Centric and Sattler,
  - $18.6 million net activity related to funds held for clients and capital expenditures of $4.8 million.

The net cash used in investing activities mentioned above was partially offset by $2.8 million of proceeds from the sale of the Miami office and $0.6 million of proceeds from notes receivable, as well as cash provided by discontinued operations of $0.4 million.

2013

Net cash provided by investing activities in 2013 consisted primarily of:

$200.9 million in proceeds on the sale of discontinued operations, mainly related to the sale of MMP, and $0.5 million proceeds from notes receivable.

Table of Contents

The net cash provided by investing activities mentioned above was partially offset by $9.7 million of cash used for the acquisition of AIA and Knight, net activity related to funds held for clients of $10.2 million and capital expenditures of $6.2 million, as well as cash used in discontinued operations of $0.3 million.

Financing Activities

CBIZ s financing cash flows typically consist of net borrowing and payment activity related to the credit facility, the issuance and repayment of debt instruments, repurchases of CBIZ common stock, payments of contingent consideration on business acquisitions, net change in client fund obligations, and proceeds from the exercise of stock options.

2015

Net cash used in financing activities was $40.6 million during the year ended December 31, 2015 and included:

$89.0 million related to the extinguishment of the 2010 Notes;

The Company paid cash of $17.2 million and issued shares of CBIZ common stock in two privately negotiated transactions during the second quarter of 2015 in exchange for retiring $49.3 million of its outstanding 2010 Notes.

The 2010 Notes matured on October 1, 2015. The $71.8 million conversion value of the 2010 Notes was determined by a cash averaging period that began on October 5, 2015 and ended on October 30, 2015. Cash payments were settled on November 4, 2015 with funds available under the credit facility.

The repurchase of shares of CBIZ common stock at a cost of approximately $35.2 million and purchase of shares withheld for taxes of approximately $1.3 million,

$12.6 million net decrease in client fund obligations as a result of timing of cash receipts and related payments.

The net cash used in financing activities mentioned above was partially offset by $98.4 million in net proceeds under the credit facility and $10.7 million in proceeds from the exercise of stock options.

2014

Net cash provided by financing activities was $20.2 million during the year ended December 31, 2014 and included:

$58.9 million in net proceeds under the credit facility,

$19.6 million net increase in client fund obligations as a result of timing of cash receipts and related payments and $11.4 million in proceeds from the exercise of stock options.

The net cash provided by financing activities mentioned above was partially offset by:

The Company paid $30.6 million in two privately negotiated transactions in exchange for retiring $32.4 million of its 2010 Notes,

The repurchase of shares of CBIZ common stock at a cost of approximately $26.6 million and purchase of shares withheld for taxes of approximately $1.5 million,

$8.0 million in payments on contingent consideration of acquisitions, $1.7 million payment on notes payable and $1.7 million in debt issuance costs related to the new $400.0 million credit facility established in 2014.

Table of Contents

2013

Net cash used in financing activities was $173.6 million during the year ended December 31, 2013 and included:

$160.4 million to pay down the prior credit facility,

The repurchase of shares of CBIZ common stock at a cost of approximately $25.7 million and purchase of shares withheld for taxes of approximately $0.8 million,

$10.4 million in payments on contingent consideration of acquisitions and $0.6 million payment on notes payable.

The net cash used in financing activities mentioned above were partially offset by $14.0 million in proceeds from the exercise of stock options and a $10.2 million net increase in client fund obligations as a result of timing of cash receipts and related payments.

Capital Resources

The following table presents our capital structure (in thousands).

	December 31,	
	2015	**2014**
Bank debt	$ 205,800	$ 107,400
Convertible notes, net	750	96,569
Total debt	206,550	203,969
Shareholders equity	427,948	399,845
Total capital	$ 634,498	$ 603,814

Credit Facility

During the year ended December 31, 2014, CBIZ replaced its $275.0 million unsecured credit facility with a new $400.0 million unsecured credit facility with Bank of America, N.A., as agent bank for a group of eight participating banks.

At December 31, 2015, CBIZ had $205.8 million outstanding under the credit facility as well as letters of credit and performance guarantees totaling $3.2 million.

Available funds under the credit facility, based on the terms of the commitment, were approximately $88.0 million at December 31, 2015.

For further discussion regarding debt and financing arrangements, see Note 8 to the accompanying consolidated financial statements.

Debt Covenant Compliance

Under the credit facility, CBIZ is required to meet certain financial covenants with respect to (i) total leverage ratio and (ii) a minimum fixed charge coverage ratio. CBIZ is in compliance with its covenants as of December 31, 2015. CBIZ s ability to service its debt and to fund future strategic initiatives will depend upon its ability to generate cash in the future.

Amendments to Credit Agreement

On April 10, 2015, CBIZ entered into an Amendment to the Credit Agreement that governs the credit facility, dated July 28, 2014, by and among the Company and Bank of America, N.A., as administrative agent and bank, and other participating banks, to remove certain events from the definition of Change of Control. This

Table of Contents

amendment had no impact on the terms of the credit facility (other than as described above), the accompanying Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows.

On October 16, 2015, CBIZ entered into a Second Amendment to the Credit Agreement that governs the credit facility, dated as of July 28, 2014, by and among the Company and Bank of America, N.A., as administrative agent and bank, and other participating banks, to incorporate swap obligations in the Agreement. This amendment had no impact on the terms of the credit facility (other than as described above), the accompanying Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows.

Credit Facility Net Proceeds

Net proceeds under the credit facility, which expires in July 2019, was $98.4 million for the year ended December 31, 2015. The credit facility:

- provided flexibility to refinance the Company s 2010 Notes which matured on October 1, 2015 (explained in further detail below),
- enabled the Company to lower its borrowing costs and,
- allows for the allocation of funds for future strategic initiatives, including acquisitions and the repurchase of CBIZ common stock.

2010 Notes

The 2010 Notes matured on October 1, 2015. No shares of CBIZ common stock were issued in conjunction with the maturation of the $48.4 million outstanding principal amount of the 2010 Notes. The $71.8 million conversion value of the 2010 Notes was settled on November 4, 2015 with funds available under the credit facility.

- Prior to the October 1, 2015 maturity date, in privately negotiated transactions, the Company issued 5.1 million shares of CBIZ common stock plus cash consideration in exchange for retiring $49.3 million of its 2010 Notes during the second quarter of 2015.
- During the nine months ended September 30, 2014, the Company issued 1.5 million shares of CBIZ common stock plus cash consideration in privately negotiated transactions in exchange for retiring $32.4 million of its 2010 Notes.

CBIZ may obtain, at a future date, additional funding by offering equity securities or debt through public or private markets. For further details on the maturation of the 2010 Notes, see Note 8 to the accompanying consolidated financial statements.

Interest Expense

Interest expense related to the credit facility was $4.3 million and $4.0 million for the years ended December 31, 2015 and 2014, respectively. Interest expense related to the 2010 Notes was $4.6 million and $9.1 million for the years ended December 31, 2015 and 2014, respectively.

Acquisitions

CBIZ acquired three businesses and six client lists during the year ended December 31, 2015. For further details on acquisitions, see Note 18 to the accompanying consolidated financial statements.

Table of Contents

Share Repurchases

CBIZ believes that repurchasing shares of its common stock under the Share Repurchase Program is a prudent use of the Company s financial resources, and that investing in its shares is an attractive use of capital and an efficient means to provide value to CBIZ shareholders.

The Company repurchased 3.8 million shares of CBIZ common stock at a total cost of approximately $35.2 million during the year ended December 31, 2015 compared to 3.2 million shares of CBIZ common stock at a total cost of approximately $26.6 million during the same period in 2014.

Subsequent to December 31, 2015 up to the date of this filing, CBIZ repurchased approximately 0.6 million shares at a total cost of approximately $6.1 million under a Rule 10b5-1 trading plan, which allows CBIZ to repurchase shares below a predetermined price per share.

On February 11, 2016, CBIZ s Board of Directors authorized the purchase of up to 5.0 million shares of CBIZ common stock. The Company s Share Repurchase Program may be suspended or discontinued at any time and expires on April 1, 2017. The shares may be purchased in open market, privately negotiated transactions or Rule 10b5-1 trading plan purchases in accordance with SEC rules. The Company s management will determine the timing and amount of the transactions based on its evaluation of market conditions and other factors

Cash Requirements for 2016

Cash requirements for 2016 will include interest payments on debt, seasonal working capital requirements, acquisitions, share repurchases and capital expenditures. We believe that cash provided by operations and borrowings available under our credit facility will be sufficient to meet cash requirements for the next 12 months.

Obligations and Commitments

CBIZ s aggregate amount of future obligations for the next five years and thereafter is set forth below (in thousands):

	Total	2016	2017	2018	2019	2020	Thereafter
Credit facility (1)	220,692	4,156	4,156	4,156	208,224		
Operating leases (2)	164,945	33,244	25,787	21,609	17,578	14,165	52,562
Contingent purchase price liabilities (3)	24,817	12,855	9,154	2,808			
Other liabilities (4)	6,283	4,001	90	1,387	795		10
Total	$ 416,737	$ 54,256	$ 39,187	$ 29,960	$ 226,597	$ 14,165	$ 52,572

(1) The Company s credit facility matures in 2019. Interest on the credit facility is not determinable due to the revolving nature of the credit facility and the variability of the related interest rate. Dollar amounts are estimates based on applying the 2.02% weighted average rate of the credit facility at December 31, 2015 to the $205.8 million outstanding balance of the credit facility at December 31, 2015.

(2) Operating leases include the minimum rent commitments under non-cancelable operating leases. Amount includes restructuring lease obligations ($1.2 million 2016) and excludes cash expected to be received under subleases.

(3) Represents contingent earnout liability that is expected to be paid over the next three years resulting from business acquisitions. For the years ended December 31, 2016, 2017 and 2018, the cash only portions of the contingent earnout liability are $10.4 million, $7.5 million and $2.4 million, respectively, with the remaining contingent earnout liability representing the stock portions.

Table of Contents

(4) Other liabilities include:

a. $5.5 million related to letters of credit, guarantees and license bonds. For further discussion regarding commitments and contingencies, see Note 11 to the accompanying consolidated financial statements.

b. The liability for unrecognized tax benefits of $4.6 million under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*, is *excluded*, since we are unable to reasonably estimate the timing of cash settlements with the respective tax authorities.

Off-Balance Sheet Arrangements

CBIZ maintains ASAs with independent CPA firms (as described more fully under Business Financial Services and in Note 1 to the accompanying consolidated financial statements), which qualify as variable interest entities. The accompanying consolidated financial statements do not reflect the operations or accounts of variable interest entities as the impact is not material to the consolidated financial condition, results of operations, or cash flows of CBIZ.

CBIZ provides guarantees of performance obligations for a CPA firm with which CBIZ maintains an ASA. Potential obligations under the guarantees totaled $0.9 million and $1.9 million at December 31, 2015 and 2014. CBIZ has recognized a liability for the fair value of the obligations undertaken in issuing these guarantees. The liability is recorded as other current liabilities in the accompanying Consolidated Balance Sheets. CBIZ does not expect it will be required to make payments under these guarantees.

CBIZ provides letters of credit to landlords (lessors) of its leased premises in lieu of cash security deposits. Letters of credit totaled $2.3 million at December 31, 2015 and 2014. In addition, CBIZ provides license bonds to various state agencies to meet certain licensing requirements. The amount of license bonds outstanding was $2.3 million December 31, 2015 and 2014, respectively.

CBIZ has various agreements under which the Company may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations, warranties, covenants or agreements, related to matters such as title to assets sold and certain tax matters. Payment by CBIZ under such indemnification clauses are generally conditioned upon the other party making a claim. Such claims are typically subject to challenge by CBIZ and to dispute resolution procedures specified in the particular contract. Further, CBIZ s obligations under these agreements may be limited in terms of time and/or amount and, in some instances, CBIZ may have recourse against third parties for certain payments made by CBIZ. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of CBIZ s obligations and the unique facts of each particular agreement. Historically, CBIZ has not made any payments under these agreements that have been material individually or in the aggregate. As of December 31, 2015, CBIZ was not aware of any obligations arising under indemnification agreements that would require material payments.

Interest Rate Risk Management

CBIZ does not purchase or hold any derivative instruments for trading or speculative purposes. We utilize interest rate swaps to manage interest rate risk exposure associated with our floating-rate debt under the credit facility. Under these interest rate swap contracts, we receive cash flows from counterparties at variable rates based on LIBOR and pay the counterparties a fixed rate. To mitigate counterparty credit risk, CBIZ only entered into contracts with selected major financial institutions with investment grade ratings and continually assesses their creditworthiness. There are no credit risk-related contingent features in CBIZ s interest rate swaps nor do the swaps contain provisions under which the Company would be required to post collateral.

CBIZ s $25.0 million notional value interest rate swap expired in June 2015. During the fourth quarter of 2015, we entered into three interest rate swaps. The notional hedged amounts were $10.0 million, $15.0 million and $25.0 million, with maturity tenors of 2, 3 and 5 years, respectively.

As previously mentioned, the 2010 Notes matured on October 1, 2015. No shares of CBIZ common stock were issued in conjunction with the maturation of the $48.4 million outstanding principal amount of the 2010 Notes. The $71.8 million conversion value of the 2010 Notes was settled on November 4, 2015 with funds available under the credit facility.

In connection with payroll services provided to clients, CBIZ collects funds from its clients accounts in advance of paying these client obligations. These funds held for clients are segregated and invested in accordance with the Company s investment policy, which requires that all investments carry an investment grade rating at the time of initial investment. The interest income on these investments mitigates the interest rate risk for the borrowing costs of CBIZ s credit facility, as the rates on both the investments and the outstanding borrowings against the credit facility are based on market conditions.

Critical Accounting Estimates and Policies

The preparation of consolidated financial statements in conformity with United States GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management s estimates and assumptions are derived from and are continually evaluated based upon available information, judgment and experience. Actual results could differ from those estimates. The policies discussed below address the most critical accounting policies which are the most important to the portrayal of CBIZ s financial statements and require the most difficult, subjective and complex judgments. Significant accounting policies are described more fully in Note 1 to the accompanying consolidated financial statements

Revenue Recognition

Revenue is recognized only when all of the following are present:

- persuasive evidence of an arrangement exists,
- delivery has occurred or services have been rendered,
- the fee to the client is fixed or determinable, and
- collectability is reasonably assured.

Contract terms are typically contained in a signed agreement with the client (or when applicable, other third parties) which generally defines the scope of services to be provided, pricing of services, and payment terms generally ranging from invoice date to 90 days after invoice date. Billing may occur prior to, during, or upon completion of the service. CBIZ typically does not have acceptance provisions or right of refund arrangements included in these agreements. Contract terms vary depending on the scope of service provided, the deliverables, and the complexity of the engagement.

CBIZ offers a vast array of products and business services to its clients. Those services are delivered through three practice groups. A description of revenue recognition, as it relates to those groups, is provided in more detail in Note 1 to the accompanying consolidated financial statements.

Valuation of Accounts Receivable and Notes Receivable

Management determines the valuation of accounts receivable (including unbilled accounts receivable) and notes receivable, and the adequacy of the allowance for doubtful accounts based on estimates of losses related to the

respective receivable balance. Management analyzes historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions when evaluating the adequacy of the allowance for doubtful accounts and the collectability of notes receivable. Significant management judgments and estimates must be made and used in connection with establishing the allowance for doubtful accounts for each accounting period. Material differences may result if facts and circumstances change in relation to the original estimation.

Valuation of Goodwill

A significant portion of our assets is goodwill. At December 31, 2015, the carrying value of goodwill totaled $447.7 million, compared to total assets of $998.2 million and total shareholders equity of $427.9 million. During the fourth quarter of 2015 and 2014, CBIZ applied the principles as prescribed in FASB ASC Topic 350 Intangibles Goodwill and Other in order to complete its goodwill impairment tests. If the carrying value of a reporting unit exceeds the current estimated fair value, then the amount of the impairment loss, if any, must be measured. Any such impairment charge would reduce earnings and could be material. Events and conditions that could result in impairment include a sustained drop in the market price of our common stock, increased competition or loss of market share.

CBIZ utilizes the acquisition method of accounting for all business combinations. In accordance with GAAP, goodwill is not amortized, but rather is tested for impairment annually during the fourth quarter of each year. Impairment testing may be performed between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

Quantitative Assessment

In the fourth quarter of 2015, CBIZ based its goodwill assessment on a quantitative assessment for each of its reporting units that carried a goodwill balance, respectively, using both a discounted cash flow valuation technique and a market-based approach. The impairment test incorporated estimates of future cash flows; allocation of certain assets, liabilities, and cash flows among reporting units; future growth rates; and the applicable weighted-average cost of capital used to discount those estimated cash flows. At December 31, 2015, goodwill totaled $447.7 million. No goodwill impairment was recognized as a result of the annual evaluation performed as of November 1, 2015. The estimated fair value of the five reporting units was substantially in excess of its carrying value as of the annual test date.

Qualitative Assessment

In the fourth quarter of 2014, CBIZ based its goodwill assessment on a qualitative assessment for each of its reporting units that carried a goodwill balance. The qualitative assessment included an in-depth analysis of many factors, including general economic conditions, industry and market conditions, a broad scope of financial factors, the Company s weighted average cost of capital, changes in management and key personnel, the price of the Company s common stock, as well as other drivers of a fair value analysis. At December 31, 2014, goodwill totaled $435.2 million. As a result of the Company s qualitative assessment, it was concluded that it was more-likely-than-not that the fair value of each of its reporting units was greater than its carrying value.

Long-Lived Assets

Long-lived assets primarily consist of property and equipment and intangible assets, which include client lists and non-compete agreements. The intangible assets are amortized over their expected periods of benefit, which generally ranges from two to fifteen years. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets or groups of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the undiscounted cash flows to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis or market comparable method. Determining the fair value of long-lived assets includes significant judgment by management, and different judgments could yield different results.

Loss Contingencies

Loss contingencies, including litigation claims, are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Contingent liabilities are often resolved over long time periods. Estimating probable losses requires analysis that often depends on judgment about potential actions by third parties.

Income Taxes

Determining the consolidated provision for income tax expense, income tax liabilities and deferred tax assets and liabilities involves management judgment. Management estimates an annual effective tax rate (which takes into consideration expected full-year results), which is applied to the Company s quarterly operating results to determine the provision for income tax expense. In the event there is a significant, unusual or infrequent item recognized in the quarterly operating results, the tax attributable to that item is recorded in the interim period in which it occurs. In addition, reserves are established for uncertain tax positions and contingencies. See Note 1 and Note 7 to the accompanying consolidated financial statements for further information.

Circumstances that could cause CBIZ s estimates of effective income tax rates to change include the impact of information that subsequently becomes available as CBIZ prepares its corporate income tax returns; the level of actual pre-tax income; revisions to tax positions and valuation allowances taken as a result of further analysis and consultation; the restructuring of legal entities; the receipt and expected utilization of federal and state income tax credits; and changes mandated as a result of audits by taxing authorities. Management believes it makes reasonable judgments using all significant information available when estimating income taxes.

Other Significant Policies

Other significant accounting policies, not involving the same level of management judgment and uncertainty as those discussed above, are also critical in understanding the consolidated financial statements. Those policies are described in Note 1 to the accompanying consolidated financial statements.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than 12 months. The accounting treatment for lessors will remain relatively unchanged. ASU 2016-02 also requires additional qualitative and quantitative disclosures related to the nature, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes Balance Sheet Reclassification of Deferred Taxes (Topic 740). ASU No. 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this update. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted and the amendments may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The adoption of ASU 2015-17 will not have a material impact on the financial statements.

Table of Contents

In April 2015, the FASB issued ASU 2015-03, Interest Imputation of Interest , which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance of debt issuance costs are not affected by the amendments in this update. ASU 2015-03 will be effective for the Company beginning in the first quarter of 2016 and requires the Company to apply the new guidance on a retrospective basis on adoption. The adoption of ASU No. 2015-03 will not have a material impact on the financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis , which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 clarifies how to determine whether equity holders as a group have power to direct the activities that most significantly affect the legal entity s economic performance and could affect whether it is a variable interest entity. ASU 2015-02 will be effective for annual periods beginning after December 15, 2015; early adoption is allowed, including in any interim period. The Company does not expect the adoption of ASU 2015-02 to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date (ASU 2015-14) which delays the effective date of this new accounting guidance by one year. It will effective for annual periods beginning after December 15, 2017 for public companies. Early adoption is permitted but not before annual periods beginning after December 15, 2016. Entities have the option of using either a full retrospective or modified approach to adopt ASU 2015-14. CBIZ is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements nor decided upon the method of adoption.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

CBIZ does not purchase or hold any derivative instruments for trading or speculative purposes. We u