CINTAS CORP
Form 10-Q
April 05, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

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

For the quarterly period ended February 28, 2019

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 0-11399

CINTAS CORPORATION
(Exact name of Registrant as specified in its charter)

WASHINGTON	31-1188630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6800 CINTAS BOULEVARD
P.O. BOX 625737
CINCINNATI, OHIO 45262-5737
(Address of principal executive offices)(Zip code)

(513) 459-1200
(Registrant’s telephone number, including area code)

Indicate by checkmark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes   ü   No _

Indicate by checkmark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes   ü   No   _

Indicate by checkmark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer   ü   Accelerated Filer   _   Non-Accelerated Filer   _
Smaller Reporting Company   _   Emerging Growth Company   _

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. _

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No ü

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding March 31, 2019
Common Stock, no par value	104,570,866

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Part I. Financial Information

CINTAS CORPORATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)
(In thousands except per share data)

	Three Months Ended		Nine Months Ended	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Revenue:				
Uniform rental and facility services	$1,358,322	$1,284,516	$4,124,038	$3,904,338
Other	324,008	304,622	974,535	902,744
Total revenue	1,682,330	1,589,138	5,098,573	4,807,082
Costs and expenses:				
Cost of uniform rental and facility services	748,971	718,138	2,256,543	2,148,961
Cost of other	178,206	170,537	537,007	501,936
Selling and administrative expenses	476,099	490,618	1,472,404	1,444,985
G&K Services, Inc. integration expenses	799	9,821	13,496	26,866
Operating income	278,255	200,024	819,123	684,334
Gain on sale of a cost method investment	—	—	69,373	—
Interest income	(70)	(384)	(957)	(972)
Interest expense	26,770	25,901	75,954	85,347
Income before income taxes	251,555	174,507	813,499	599,959
Income tax expense (benefit)	50,632	(121,282)	157,035	5,325
Income from continuing operations	200,923	295,789	656,464	594,634
Income from discontinued operations, net of tax expense of $772, tax benefit of $6,157, tax expense of $768 and tax expense of $34,946, respectively	2,411	6,306	2,398	61,781
Net income	$203,334	$302,095	$658,862	$656,415
Basic earnings per share:				
Continuing operations	$1.89	$2.73	$6.10	$5.50
Discontinued operations	0.02	0.06	0.02	0.57
Basic earnings per share	$1.91	$2.79	$6.12	$6.07
Diluted earnings per share:				
Continuing operations	$1.83	$2.66	$5.91	$5.35
Discontinued operations	0.02	0.05	0.02	0.55
Diluted earnings per share	$1.85	$2.71	$5.93	$5.90
Dividends declared per share	$2.05	$1.62	$2.05	$1.62

See accompanying notes.

CINTAS CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended		Nine Months Ended	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Net income	$203,334	$302,095	$658,862	$656,415
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	5,025	2,374	(8,617)	26,184
Change in fair value of interest rate lock agreements	(8,183)	—	(6,430)	—
Amortization of interest rate lock agreements	(295)	(294)	(884)	(638)
Other comprehensive (loss) income	(3,453)	2,080	(15,931)	25,546
Comprehensive income	$199,881	$304,175	$642,931	$681,961

See accompanying notes.

CINTAS CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands except share data)

	February 28, 2019 (Unaudited)	May 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$80,859	$138,724
Accounts receivable, net	878,037	804,583
Inventories, net	339,805	280,347
Uniforms and other rental items in service	773,534	702,261
Income taxes, current	42,552	19,634
Prepaid expenses and other current assets	108,969	32,383
Total current assets	2,223,756	1,977,932
Property and equipment, net	1,424,063	1,382,730
Investments	191,818	175,581
Goodwill	2,847,783	2,846,888
Service contracts, net	508,402	545,768
Other assets, net	237,851	29,315
	$7,433,673	$6,958,214
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$214,567	$215,074
Accrued compensation and related liabilities	136,814	140,654
Accrued liabilities	425,470	420,129
Debt due within one year	217,500	—
Total current liabilities	994,351	775,857
Long-term liabilities:		
Debt due after one year	2,536,958	2,535,309
Deferred income taxes	439,011	352,581
Accrued liabilities	283,861	277,941
Total long-term liabilities	3,259,830	3,165,831
Shareholders’ equity:		
Preferred stock, no par value:	—	—
100,000 shares authorized, none outstanding		
Common stock, no par value:	826,175	618,464
425,000,000 shares authorized		
FY 2019: 184,559,502 shares issued and 104,932,029 shares outstanding		
FY 2018: 182,723,471 shares issued and 106,326,383 shares outstanding		
Paid-in capital	197,327	245,211
Retained earnings	6,465,121	5,837,827
Treasury stock:	(4,309,543)	(3,701,319)
FY 2019: 79,627,473 shares		

FY 2018: 76,397,088 shares		
Accumulated other comprehensive income	412	16,343
Total shareholders’ equity	3,179,492	3,016,526
	$7,433,673	$6,958,214

See accompanying notes.

CINTAS CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Common Stock		Paid-In	Retained	Other Accumulated	Treasury Stock		Total Shareholders'
	Shares	Amount	Capital	Earnings	Comprehensive Income	Shares	Amount	Equity
Balance at June 1, 2018	182,723	$618,464	$245,211	$5,837,827	$ 16,343	(76,397)	$(3,701,319)	$3,016,526
Cumulative effect of change in accounting principle	—	—	—	189,192	—	—	—	189,192
Net income	—	—	—	212,515	—	—	—	212,515
Comprehensive loss, net of tax	—	—	—	—	(6,482)	—	—	(6,482)
Dividends	—	—	—	1	—	—	—	1
Stock-based compensation	—	—	46,172	—	—	—	—	46,172
Vesting of stock-based compensation awards	739	151,012	(151,012)	—	—	—	—	—
Stock options exercised, net of shares surrendered	594	27,512	—	—	—	—	—	27,512
Repurchase of common stock	—	—	—	—	—	(689)	(139,468)	(139,468)
Balance at August 31, 2018	184,056	$796,988	$140,371	$6,239,535	$ 9,861	(77,086)	$(3,840,787)	$3,345,968
Net income	—	—	—	243,013	—	—	—	243,013
Comprehensive loss, net of tax	—	—	—	—	(5,996)	—	—	(5,996)
Dividends	—	—	—	(220,792)	—	—	—	(220,792)
Stock-based compensation	—	—	28,612	—	—	—	—	28,612
Vesting of stock-based compensation awards	11	2,146	(2,146)	—	—	—	—	—
Stock options exercised, net of shares surrendered	86	5,100	—	—	—	—	—	5,100
Repurchase of common stock	—	—	—	—	—	(1,943)	(368,661)	(368,661)
Balance at November 30, 2018	184,153	$804,234	$166,837	$6,261,756	$ 3,865	(79,029)	$(4,209,448)	$3,027,244
Net income	—	—	—	203,334	—	—	—	203,334

Comprehensive loss, net of tax	—	—	—	—	(3,453)	—	—	(3,453)
Dividends	—	—	—	31	—	—	—	31
Stock-based compensation	—	—	30,769	—	—	—	—	30,769
Vesting of stock-based compensation awards	2	279	(279)	—	—	—	—	—
Stock options exercised, net of shares surrendered	404	21,662	—	—	—	—	—	21,662
Repurchase of common stock	—	—	—	—	—	(598)	(100,095)	(100,095)
Balance at February 28, 2019	184,559	$826,175	$197,327	$6,465,121	$ 412	(79,627)	$(4,309,543)	$3,179,492

See accompanying notes.

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CINTAS CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Common Stock				Other	Treasury Stock		
	Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Comprehensive (Loss) Income	Shares	Amount	Total Shareholders' Equity
Balance at June 1, 2017	180,993	$485,068	$223,924	$5,170,830	$ (3,029)	(75,592)	$(3,574,000)	2,302,793
Net income	—	—	—	217,211	—	—	—	217,211
Comprehensive income, net of tax	—	—	—	—	35,032	—	—	35,032
Dividends	—	—	—	(1)	—	—	—	(1)
Stock-based compensation	—	—	28,630	—	—	—	—	28,630
Vesting of stock-based compensation awards	656	84,040	(84,040)	—	—	—	—	—
Stock options exercised, net of shares surrendered	395	17,256	—	—	—	—	—	17,256
Repurchase of common stock	—	—	—	—	—	(272)	(35,040)	(35,040)
Balance at August 31, 2017	182,044	$586,364	$168,514	$5,388,040	$ 32,003	(75,864)	$(3,609,040)	$2,565,881
Net income	—	—	—	137,109	—	—	—	137,109
Comprehensive loss, net of tax	—	—	—	—	(11,566)	—	—	(11,566)
Dividends	—	—	—	(175,610)	—	—	—	(175,610)
Stock-based compensation	—	—	26,574	—	—	—	—	26,574
Vesting of stock-based compensation awards	18	2,897	(2,897)	—	—	—	—	—
Stock options exercised, net of shares surrendered	277	11,302	—	—	—	—	—	11,302
Repurchase of common stock	—	—	—	—	—	(5)	(657)	(657)
Balance at November 30, 2017	182,339	$600,563	$192,191	$5,349,539	$ 20,437	(75,869)	$(3,609,697)	$2,553,033
Net income	—	—	—	302,095	—	—	—	302,095
Comprehensive income, net of tax	—	—	—	—	2,080	—	—	2,080

Dividends	—	—	—	22	—	—	—	22
Stock-based compensation	—	—	30,840	—	—	—	—	30,840
Vesting of stock-based compensation awards	22	3,642	(3,642)	—	—	—	—	—
Stock options exercised, net of shares surrendered	197	7,280	—	—	—	—	—	7,280
Repurchase of common stock	—	—	—	—	—	(8)	(1,353)	(1,353)
Balance at February 28, 2018	182,558	$611,485	$219,389	$5,651,656	$ 22,517	(75,877)	$(3,611,050)	$2,893,997

See accompanying notes.

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CINTAS CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended February 28, 2019	February 28, 2018
Cash flows from operating activities:		
Net income	$ 658,862	$ 656,415
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	164,380	157,319
Amortization of intangible assets and capitalized contract costs	101,949	47,583
Stock-based compensation	105,553	86,044
Gain on sale of a cost method investment	(69,373)	—
Gain on sale of business	(2,419)	(99,060)
Deferred income taxes	25,079	(120,428)
Change in current assets and liabilities, net of acquisitions of businesses:		
Accounts receivable, net	(61,102)	(40,046)
Inventories, net	(70,716)	4,011
Uniforms and other rental items in service	(72,336)	(44,050)
Prepaid expenses and other current assets and capitalized contract costs	(85,123)	(17,925)
Accounts payable	79	(580)
Accrued compensation and related liabilities	(3,866)	(2,209)
Accrued liabilities and other	3,614	10,997
Income taxes, current	(23,864)	22,793
Net cash provided by operating activities	670,717	660,864

Cash flows from investing activities:				
Capital expenditures	(207,805	)	(196,040	)
Proceeds from redemption of marketable securities	—		146,302	
Purchase of marketable securities and investments	(17,544	)	(157,528	)
Proceeds from sale of a cost method investment	73,342		—	
Proceeds from sale of business	3,200		127,835	
Acquisitions of businesses, net of cash acquired	(7,403	)	(12,298	)
Other, net	(6,804	)	1,746	
Net cash used in investing activities	(163,014	)	(89,983	)
Cash flows from financing activities:				
Issuance of commercial paper, net	217,500		137,000	
Repayment of debt	—		(550,000	)
Proceeds from exercise of stock-based compensation awards	54,274		35,838	
Dividends paid	(220,760	)	(175,589	)
Repurchase of common stock	(608,224	)	(37,050	)
Other, net	(8,088	)	(2,489	)
Net cash used in financing activities	(565,298	)	(592,290	)
Effect of exchange rate changes on cash and cash equivalents	(270	)	4,706	
Net decrease in cash and cash equivalents	(57,865	)	(16,703	)
Cash and cash equivalents at beginning of period	138,724		169,266	
Cash and cash equivalents at end of period	$ 80,859		$ 152,563	

See accompanying notes.

CINTAS CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The consolidated condensed financial statements of Cintas Corporation (Cintas, the Company, we, us or our) included herein have been prepared by Cintas, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. While we believe that the disclosures are adequately presented, we suggest that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2018. A summary of our significant accounting policies is presented beginning on page 39 of that report. There have been no material changes in the accounting policies followed by Cintas during the current fiscal year other than the adoption of new accounting pronouncements discussed below.

Interim results are subject to variations and are not necessarily indicative of the results of operations for a full fiscal year. In the opinion of management, adjustments (which include only normal recurring adjustments) necessary for a fair statement of the consolidated results of the interim periods shown have been made.

On March 21, 2017, Cintas completed the acquisition of G&K Services, Inc. (G&K) for consideration of approximately $2.1 billion. G&K is now a wholly-owned subsidiary of Cintas that operates within the Uniform Rental and Facility Services operating segment. To finance the G&K acquisition, Cintas used a combination of new senior notes, a term loan, other borrowings under its existing credit facility (see Note 7 entitled Debt, Derivatives and Hedging Activities for additional discussion related to debt obligations) and cash on hand. G&K's results of operations are included in Cintas' consolidated financial statements as of and from the date of acquisition.

During the three months ended August 31, 2017, Cintas sold a significant business, referred to as "Discontinued Services," and as a result, its operations are classified as discontinued operations for all periods presented. See Note 12 entitled Discontinued Operations for more information.

Inventories, net are measured at the lower of cost (first-in, first-out) or net realizable value. Inventory is comprised of the following amounts at:

(In thousands)	February 28, 2019	May 31, 2018
Raw materials	$ 18,628	$17,042
Work in process	32,525	27,350
Finished goods	288,652	235,955
	$ 339,805	$280,347

Inventories are recorded net of reserves for obsolete inventory of $32.6 million and $37.0 million at February 28, 2019 and May 31, 2018, respectively.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," to clarify revenue recognition principles. This guidance is intended to improve disclosure requirements and enhance the comparability of revenue recognition practices. Improved disclosures under the amended guidance relate to the nature, amount, timing and uncertainty of revenue that is recognized from contracts with customers. We adopted ASU 2014-09, and all the related amendments, effective June 1, 2018 using the modified retrospective method. ASU 2014-09 requires a company to 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. Upon adoption of ASU 2014-09, we recorded an adjustment to the opening balance of retained earnings as of June 1, 2018. The adjustment to retained earnings primarily relates to the capitalization of certain direct and incremental contract costs required by the new guidance. Capitalized costs are amortized ratably over the anticipated period of benefit. We applied ASU 2014-09 only to contracts that were not completed prior to fiscal 2019. Results for reporting periods beginning after May 31, 2018 are presented under ASU 2014-09, while comparative prior period amounts have not been restated and continue to be presented under accounting standards in effect in those periods.

There were two implementation adjustments upon adoption of ASU 2014-09: (1) capitalization of certain direct and incremental contract costs and (2) the timing of revenue recognition for certain contracts with customers that create an asset with no alternative use to the Company and an enforceable right of payment from the customer upon termination. Adoption of ASU 2014-09 impacted the Company's previously reported results as of May 31, 2018 as follows:

Capitalization of Contract Costs. The Company has elected to apply the guidance, as a practical expedient, to a portfolio of contracts (or performance obligations) with similar characteristics because the Company reasonably expects that the effects on the consolidated condensed financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within the portfolio. The Company also continues to expense certain costs to obtain a contract if those costs do not meet the criteria of the new standard or the amortization period of the asset would have been one year or less.

Assets With No Alternative Use. For our Uniform Direct Sale business, our revenue, prior to the adoption of ASU 2014-09, was primarily generated from the sale of finished products to customers as products are shipped and title passes to the customers. For certain contracts with customers, the Company creates an asset with no alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date. For these contracts, we have moved from a point-in-time model to an over-time model in which our measure of progress is finished goods with no alternative use in accordance with the provisions of ASU 2014-09. We expect ASU 2014-09 will have no cash impact and will not affect the economics of our underlying customer contracts.

		Impacts of Adopting ASU 2014-09		
(In thousands)	May 31, 2018	Capitalization of Contract Costs	Assets With No Alternative Use	June 1, 2018
ASSETS				
Accounts receivable, net	$804,583	$—	$ 13,426	$818,009
Inventories, net	280,347	—	(11,265)	269,082
Prepaid expenses and other current assets	32,383	63,463	—	95,846
Total current assets	1,977,932	63,463	2,161	2,043,556
Other assets, net	29,315	187,503	—	216,818

Total assets	$6,958,214	$250,966	$ 2,161	$7,211,341
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deferred income taxes	$352,581	$63,389	$ 546	$416,516
Total long-term liabilities	3,165,831	63,389	546	3,229,766
Retained earnings	5,837,827	187,577	1,615	6,027,019
Total shareholders' equity	3,016,526	187,577	1,615	3,205,718
Total liabilities and shareholders' equity	$6,958,214	$250,966	$ 2,161	$7,211,341

The impacts of adopting ASU 2014-09 on our fiscal 2019 consolidated condensed financial statements are presented in the following tables:

Consolidated Condensed Statement of Income (In thousands)	Nine Months Ended February 28, 2019 As Reported	Under Historical Guidance	Impact of Adopting ASU 2014-09
Revenue:			
Uniform rental and facility services	$4,124,038	$4,127,359	$(3,321)
Other	974,535	971,995	2,540
Total revenue	5,098,573	5,099,354	(781)
Costs and expenses:			
Cost of other	537,007	535,364	1,643
Selling and administrative expenses	1,472,404	1,493,553	(21,149)
Operating income	819,123	800,398	18,725
Income before income taxes	813,499	794,774	18,725
Income taxes	157,035	152,466	4,569
Income from continuing operations	656,464	642,308	14,156
Net income	$658,862	$644,706	$14,156
Diluted earnings per share	$5.93	$5.80	$0.13

Consolidated Condensed Balance Sheet (In thousands)	Balance at February 28, 2019 As Reported	Under Historical Guidance	Impact of Adopting ASU 2014-09
ASSETS			
Accounts receivable, net	$878,037	$861,725	$16,312
Inventories, net	339,805	352,714	(12,909)
Income taxes, current	42,552	42,855	(303)
Prepaid expenses and other current assets	108,969	40,616	68,353
Total current assets	2,223,756	2,152,303	71,453
Other assets, net	237,851	37,756	200,095
Total assets	$7,433,673	$7,162,125	$271,548
LIABILITIES AND SHAREHOLDERS' EQUITY			
Long-term liabilities:			
Deferred income taxes	$439,011	$370,811	$68,200
Total long-term liabilities	3,259,830	3,191,630	68,200

Retained earnings	6,465,121	6,261,773	203,348
Total shareholders' equity	3,179,492	2,976,144	203,348
Total liabilities and shareholders' equity	$7,433,673	$7,162,125	$271,548

The adoption of ASU 2014-09 had no impact to the Company's fiscal 2019 operating cash flow, and the only impact of the adoption on our fiscal 2019 consolidated condensed statement of comprehensive income was the impact to net income as presented in the table above.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less can be accounted for similar to existing guidance for operating leases today, which is an accounting policy election in Topic 842 that the Company will elect. The guidance also requires disclosures that meet the objective of enabling financial statement users to assess the amount, timing, and uncertainty of cash flows arising from leases. Topic 842 supersedes the previous leases standard, Accounting Standards Codification (ASC) 840, "Leases." This guidance is effective for reporting periods beginning after December 15, 2018, and will be adopted by the Company on June 1, 2019. In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, to provide an additional transition method option available to registrants. In accordance with Topic 842, a registrant can elect not to present comparative financial information under Topic 842 if it recognizes a cumulative-effect adjustment to retained earnings upon adoption. The Company intends to make this transition election. The amendments in Topic 842 are effective for the Company on the same date as ASU 2016-02. The Company has implemented a new lease system in connection with the adoption of Topic 842. The majority of our lease spend relates to certain real estate with the remaining lease spend primarily related to equipment. We currently expect the adoption of this standard to result in a material increase to the assets and liabilities on the consolidated condensed balance sheets, but we do not expect a material impact on the consolidated condensed statements of income or consolidated condensed statements of cash flows.

In August 2016, the FASB issued ASU 2016-15, “Classification of Certain Cash Receipts and Cash Payments.” ASU 2016-15 makes eight targeted changes to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company’s adoption of this standard on June 1, 2018 did not have a material impact on its consolidated condensed statements of cash flows.

In January 2017, the FASB issued ASU 2017-04, “Simplifying the Test for Goodwill Impairment.” ASU 2017-04 eliminates the two-step process that required identification of potential impairment and a separate measure of the actual impairment. Goodwill impairment charges, if any, would be determined by the difference between a reporting unit's carrying value and its fair value (impairment loss is limited to the carrying value). This standard is effective for annual or any interim goodwill impairment tests beginning after December 15, 2019. The adoption of this standard is not expected to have an impact on the consolidated condensed financial statements.

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." ASU 2018-02 allows entities to elect to reclassify the income tax effects resulting from the Tax Cuts and Jobs Act (Tax Act) on items within accumulated other comprehensive income to retained earnings and requires additional related disclosures. This standard is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, however, early adoption is permitted. Cintas is currently evaluating the impact that ASU 2018-02 will have on its consolidated condensed financial statements.

In August 2017, the FASB issued ASU 2017-12, “Targeted Improvements to Accounting for Hedging Activities.” ASU 2017-12 better aligns an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. Among other amendments, the update allows entities to designate the variability in cash flows attributable to changes in a contractually specified component stated in the contract as the hedged risk in a cash flow hedge of a forecasted purchase or sale of a nonfinancial asset. This standard is effective for annual periods beginning after December 15, 2018. We adopted the standard effective as of June 1, 2018, and the effect of adoption of this standard did not have a material impact to our consolidated condensed financial statements.

No other new accounting pronouncement recently issued or newly effective had or is expected to have a material impact on Cintas' consolidated condensed financial statements.

2. Revenue Recognition

The following table presents Cintas' total revenue disaggregated by service type:

	Three Months Ended				Nine Months Ended			
	February 28, 2019		February 28, 2018		February 28, 2019		February 28, 2018	
(In thousands)	Revenue	%	Revenue	%	Revenue	%	Revenue	%
Uniform Rental and Facility Services	$1,358,322	80.7 %	$1,284,516	80.8 %	$4,124,038	80.9 %	$3,904,338	81.2 %
First Aid and Safety Services	149,170	8.9 %	137,327	8.7 %	455,935	8.9 %	416,999	8.7 %
Fire Protection Services	99,688	5.9 %	87,498	5.5 %	293,980	5.8 %	254,994	5.3 %
Uniform Direct Sales	75,150	4.5 %	79,797	5.0 %	224,620	4.4 %	230,751	4.8 %
Total revenue	$1,682,330	100.0%	$1,589,138	100.0%	$5,098,573	100.0%	$4,807,082	100.0%

For the three and nine months ended February 28, 2019, the percentage of revenue recognized over time as the services are performed was 95.4% and 95.6%, respectively, of Uniform Rental and Facility Services revenue, 90.6% and 90.7%, respectively, of First Aid and Safety Services revenue and 100% and 100%, respectively, of Fire Protection Services revenue. During the same periods, the Uniform Direct Sales business unit recognized 96.3% and 96.4%, respectively, of revenue at a point in time, which generally occurs when the goods are transferred to the customer. Fire Protection Services and Uniform Direct Sales are recorded within the All Other reportable segment disclosed in Note 11 entitled Segment Information.

Revenue Recognition Policy

More than 95% of the Company's revenues are derived from fees for route servicing of Uniform Rental and Facility Services, First Aid and Safety Services and Fire Protection Services, performed by a Cintas employee-partner, at the customer's location of business. Revenues from our route servicing customer contracts represent a single-performance obligation. The Company recognizes these revenues over time as services are performed based on the nature of services provided and contractual rates (input method). The Company's remaining revenues, primarily within the Uniform Direct Sales operating segment, and representing less than 5% of the Company's total revenues, are recognized when the obligations under the terms of a contract with a customer are satisfied. This generally occurs when the goods are transferred to the customer.

Certain of our customer contracts, primarily within our Uniform Direct Sales business, include pricing terms and conditions that include components of variable consideration. The variable consideration is typically in the form of consideration paid to a customer based on performance metrics specified within the contract. Specifically, some contracts contain discounts or rebates that the customer can earn through the achievement of specified volume levels. Each component of variable consideration is earned based on the Company's actual performance during the measurement period specified within the contract. To determine the transaction price, the Company estimates the variable consideration using the most likely amount method, based on the specific contract provisions and known performance results during the relevant measurement period. When determining if variable consideration should be constrained, the Company considers whether factors outside its control could result in a significant reversal of revenue. In making these assessments, the Company considers the likelihood and magnitude of a potential reversal. The Company's performance period generally corresponds with the monthly invoice period. No constraints on our revenue recognition were applied during the three or nine months ended February 28, 2019. The Company reassesses these estimates during each reporting period. Cintas maintains a liability for these discounts and rebates within accrued liabilities on the consolidated condensed balance sheets. Variable consideration also includes consideration paid to a customer at the beginning of a contract. Cintas capitalizes this consideration and amortizes it over the life of the contract as a reduction to revenue in accordance with ASC 606. These assets are included in other assets, net on the consolidated condensed balance sheet.

Additionally, in accordance with ASC 606, certain Uniform Direct Sales customer contracts contain a provision with an enforceable right of payment and the underlying product has no alternative use to Cintas. Consequently, when both aforementioned provisions are prevalent in a customer contract, the revenue is recorded for finished goods that the customer is obligated to purchase under the termination terms of the contract.

Costs to Obtain a Contract

The Company capitalizes commission expenses paid to our employee-partners when the commissions are deemed to be incremental for obtaining the route servicing customer contract. The deferred commissions are amortized on a straight-line basis over the expected period of benefit. We review the deferred commission balances for impairment on an ongoing basis. Deferred commissions are classified as current or noncurrent based on the timing of when we expect to recognize the expense. The current portion is included in prepaid expenses and other current assets and the noncurrent portion is included in other assets, net on the Company's consolidated condensed balance sheets. As of February 28, 2019, the current and noncurrent assets related to deferred commissions totaled $68.4 million and $203.3 million, respectively. We recorded amortization expense related to deferred commissions of $18.0 million and $52.7 million during the three and nine months ended February 28, 2019, respectively. These expenses are classified in selling and administrative expense on the consolidated condensed statements of income.

3. Fair Value Measurements

All financial instruments that are measured at fair value on a recurring basis have been classified within the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the consolidated condensed balance sheet date. These financial instruments measured at fair value on a recurring basis are summarized below:

	As of February 28, 2019			
(In thousands)	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$80,859	$—	$ —	$80,859
Total assets at fair value	$80,859	$—	$ —	$80,859
Accrued liabilities:				
Interest rate lock agreements	$—	$8,460	$ —	$8,460
Total liabilities at fair value	$—	$8,460	$ —	$8,460

	As of May 31, 2018			
(In thousands)	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$138,724	$ —	$ —	$138,724
Total assets at fair value	$138,724	$ —	$ —	$138,724

Cintas’ cash and cash equivalents and marketable securities are generally classified within Level 1 or Level 2 of the fair value hierarchy. Financial instruments classified as Level 1 are based on quoted market prices in active markets, and financial instruments classified as Level 2 are based on quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The types of financial instruments Cintas classifies within Level 1 include most bank deposits and money market securities. Cintas does not adjust the quoted market price for such financial instruments.

Interest, realized gains and losses and declines in value determined to be other than temporary on available-for-sale securities are included in interest income or expense. The cost of the securities sold is based on the specific identification method. There were no outstanding marketable securities as of February 28, 2019 or May 31, 2018.

As of February 28, 2019, accrued liabilities included the fair value of outstanding interest rate lock agreements. The fair values of Cintas' interest rate lock agreements are based on similar exchange traded derivatives (market approach) and are, therefore, included within Level 2 of the fair value hierarchy. The fair value was determined by comparing the locked rates against the benchmarked treasury rate.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Cintas believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the consolidated condensed balance sheet dates.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records assets and liabilities at fair value on a nonrecurring basis as required under GAAP.

4. Investments

Investments at February 28, 2019 of $191.8 million include the cash surrender value of insurance policies of $170.2 million, equity method investments of $18.4 million and cost method investments of $3.2 million. Investments at May 31, 2018 of $175.6 million include the cash surrender value of insurance policies of $154.0 million, equity method investments of $16.4 million and cost method investments of $5.2 million. Investments are generally evaluated for impairment on an annual basis or when indicators of impairment exist. For the nine months ended February 28, 2019 and 2018, no impairment losses were recorded.

During the second quarter of fiscal 2019, Cintas sold a cost method investment to a third party. Proceeds from the sale were $73.3 million, which resulted in a pre-tax gain of $69.4 million.

5. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share from continuing operations using the two-class method for amounts attributable to Cintas' common shares:

	Three Months Ended		Nine Months Ended	
Basic Earnings per Share from Continuing Operations (in thousands except per share data)	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Income from continuing operations	$200,923	$ 295,789	$656,464	$ 594,634
Less: income from continuing operations allocated to participating securities	2,783	5,248	8,977	10,546
Income from continuing operations available to common shareholders	$198,140	$ 290,541	$647,487	$ 584,088
Basic weighted average common shares outstanding	105,080	106,558	106,147	106,210
Basic earnings per share from continuing operations	$1.89	$ 2.73	$6.10	$ 5.50

	Three Months Ended		Nine Months Ended	
Diluted Earnings per Share from Continuing Operations (in thousands except per share data)	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Income from continuing operations	$200,923	$ 295,789	$656,464	$ 594,634
Less: income from continuing operations allocated to participating securities	2,783	5,248	8,977	10,546
Income from continuing operations available to common shareholders	$198,140	$ 290,541	$647,487	$ 584,088
Basic weighted average common shares outstanding	105,080	106,558	106,147	106,210
Effect of dilutive securities – employee stock options	3,082	3,617	3,436	3,044
Diluted weighted average common shares outstanding	108,162	110,175	109,583	109,254
Diluted earnings per share from continuing operations	$1.83	$ 2.66	$5.91	$ 5.35

For both the three and nine months ended February 28, 2019, both basic and diluted earnings per share from discontinued operations were $0.02. Basic and diluted earnings per share from discontinued operations were $0.06 and $0.05, respectively, for the three months ended February 28, 2018, and $0.57 and $0.55, respectively, for the nine months ended February 28, 2018.

For the three months ended February 28, 2019 and 2018, options granted to purchase 0.7 million and 1.0 million shares of Cintas common stock, respectively, were excluded from the computation of diluted earnings per share. For the nine months ended February 28, 2019 and 2018, options granted to purchase 0.5 million and 0.8 million shares of Cintas common stock, respectively, were excluded from the computation of diluted earnings per share. The exercise prices of these options were greater than the average market price of the common stock (anti-dilutive).

On August 2, 2016, Cintas announced that the Board of Directors authorized a $500.0 million share buyback program, which does not have an expiration date. The August 2, 2016 share buyback program was completed during the second quarter of fiscal 2019. From the inception of the August 2, 2016 share buyback program through November 2018, Cintas purchased a total of 2.6 million shares of Cintas common stock at an average price of $188.82 per share for a total purchase price of $500.0 million. On October 30, 2018, we announced that the Board of Directors authorized a new $1.0 billion share buyback program, which does not have an expiration date. The following table summarizes the buyback activity by program and fiscal period.

(In thousands except per share data)	Three Months Ended February 28, 2019			Nine Months Ended February 28, 2019		
Buyback Program	Shares	Avg. Price per Share	Purchase Price	Shares	Avg. Price per Share	Purchase Price
August 2, 2016	—	$—	$—	2,130	$192.55	$410,003
October 30, 2018	598	$167.32	$100,000	799	$170.87	$136,579
	598	$167.32	$100,000	2,929	$186.63	$546,582

In the period subsequent to February 28, 2019 through April 5, 2019, we purchased 0.4 million shares of Cintas common stock under the new share buyback program at an average price of $203.26 for a total purchase price of $83.3 million. From the inception of the October 30, 2018 share buyback program through April 5, 2019, Cintas has purchased a total of 1.2 million shares of Cintas common stock at an average price of $181.85 for a total purchase price of $219.9 million.

For the three months ended February 28, 2019, Cintas acquired less than 0.1 million shares of Cintas common stock for employee payroll taxes dues on restricted stock awards that vested during the three months ended February 28, 2019. These shares were acquired at an average price of $195.14 per share for a total purchase price of less than $0.1 million. During the nine months ended February 28, 2019, Cintas acquired 0.3 million shares of Cintas common stock for employee payroll taxes due on restricted stock awards that vested during the nine months ended February 28, 2019. These shares were acquired at an average price of $204.31 per share for a total purchase price of $61.6 million.

6. Goodwill, Service Contracts and Other Assets

Changes in the carrying amount of goodwill and service contracts for the nine months ended February 28, 2019, by reportable operating segment and All Other, are as follows:

Goodwill (in thousands)	Uniform Rental and Facility Services	First Aid and Safety Services	All Other	Total
Balance as of June 1, 2018	$2,505,476	$244,279	$97,133	$2,846,888
Goodwill acquired	167	—	5,199	5,366
Foreign currency translation	(4,124)	(329)	(18)	(4,471)
Balance as of February 28, 2019	$2,501,519	$243,950	$102,314	$2,847,783

Service Contracts (in thousands)	Uniform Rental and Facility Services	First Aid and Safety Services	All Other	Total
Balance as of June 1, 2018	$492,067	$27,294	$26,407	$545,768
Service contracts acquired	987	13	5,034	6,034
Service contracts amortization	(35,214)	(2,876)	(4,038)	(42,128)
Foreign currency translation	(1,229)	(43)	—	(1,272)
Balance as of February 28, 2019	$456,611	$24,388	$27,403	$508,402

Information regarding Cintas' service contracts and other assets is as follows:

	As of February 28, 2019		
(In thousands)	Carrying Amount	Accumulated Amortization	Net
Service contracts	$929,244	$ 420,842	$508,402
Capitalized contract costs [1]	$255,998	$ 52,736	$203,262
Noncompete and consulting agreements	42,163	40,382	1,781
Other	48,989	16,181	32,808
Total other assets	$347,150	$ 109,299	$237,851

[1] The current portion of capitalized contract costs, included in prepaid expenses and other current assets on the consolidated condensed balance sheet as of February 28, 2019, is $68.4 million.

	As of May 31, 2018		
(In thousands)	Carrying Amount	Accumulated Amortization	Net
Service contracts	$924,978	$ 379,210	$545,768
Noncompete and consulting agreements	$41,710	$ 39,877	$1,833
Other	38,787	11,305	27,482
Total other assets	$80,497	$ 51,182	$29,315

Amortization expense for service contracts and other assets for continuing operations was $33.7 million and $15.7 million for the three months ended February 28, 2019 and 2018, respectively. Amortization expense for service contracts and other assets for continuing operations was $99.9 million and $45.5 million for the nine months ended February 28, 2019 and 2018, respectively. Estimated amortization expense for service contracts and other assets, excluding any future acquisitions and commissions to be earned, for each of the next five full fiscal years and thereafter is $134.3 million, $128.3 million, $113.2 million, $101.1 million, $82.9 million and $329.4 million, respectively.

7. Debt, Derivatives and Hedging Activities

Cintas' outstanding debt is summarized as follows:

(In thousands)	Interest Rate	Fiscal Year Issued	Fiscal Year Maturity	February 28, 2019	May 31, 2018
Debt due within one year					
Commercial paper	2.75 % [(1)]	Various	Various	$217,500	$—
Total debt due within one year				$217,500	$—
Debt due after one year					
Senior notes	4.30 %	2012	2022	$250,000	$250,000
Senior notes	2.90 %	2017	2022	650,000	650,000
Senior notes	3.25 %	2013	2023	300,000	300,000
Senior notes [(2)]	2.78 %	2013	2023	51,793	52,119
Senior notes [(3)]	3.11 %	2015	2025	52,057	52,309
Senior notes	3.70 %	2017	2027	1,000,000	1,000,000
Senior notes	6.15 %	2007	2037	250,000	250,000
Debt issuance costs				(16,892)	(19,119)
Total debt due after one year				$2,536,958	$2,535,309

[(1)] Variable rate debt instrument. The rate presented is the variable borrowing rate at February 28, 2019.
[(2)] Cintas assumed these senior notes with the acquisition of G&K in the fourth quarter of fiscal 2017, and they were recorded at fair value. The interest rate shown above is the effective interest rate. The principal amount of these notes is $50.0 million with a stated interest rate of 3.73%.
[(3)] Cintas assumed these senior notes with the acquisition of G&K in the fourth quarter of fiscal 2017, and they were recorded at fair value. The interest rate shown above is the effective interest rate. The principal amount of these notes is $50.0 million with a stated interest rate of 3.88%.

Cintas' senior notes, excluding the G&K senior notes assumed with the acquisition of G&K in fiscal 2017, are recorded at cost, net of debt issuance costs. The fair value of the long-term debt is estimated using Level 2 inputs based on general market prices. The carrying value and fair value of Cintas' debt as of February 28, 2019 were $2,771.4 million and $2,819.4 million, respectively, and as of May 31, 2018 were $2,550.0 million and $2,582.0 million, respectively. During the nine months ended February 28, 2019, Cintas issued $217.5 million, net of commercial paper.

The credit agreement that supports our commercial paper program was amended on September 16, 2016. The amendment increased the capacity of the revolving credit facility from $450.0 million to $600.0 million and added a $250.0 million term loan facility. The credit agreement has an accordion feature that provides Cintas the ability to request increases to the borrowing commitments under either the revolving credit facility or a new term loan of up to $250.0 million in the aggregate, subject to customary conditions. The maturity date of the credit agreement is September 15, 2021. As of February 28, 2019, there was $217.5 million of commercial paper outstanding with a weighted average interest rate of 2.75% and maturity dates less than 30 days and no borrowings on our revolving credit facility. As of May 31, 2018, there was no commercial paper outstanding and no borrowings on our revolving credit facility.

Cintas uses interest rate locks to manage our overall interest expense as interest rate locks effectively change the interest rate of specific debt issuances. The interest rate locks are entered into to protect against unfavorable movements in the benchmark treasury rate related to forecasted debt issuances. Cintas used interest rate lock agreements to hedge against movements in the treasury rates at the time Cintas issued its senior notes in fiscal 2007, fiscal 2012, fiscal 2013 and fiscal 2017. The amortization of the cash flow hedges resulted in a decrease to other comprehensive income of $0.3 million for both the three months ended February 28, 2019 and 2018. For the nine months ended February 28, 2019 and 2018, the amortization of the cash flow hedges resulted in a decrease to other comprehensive income of $0.9 million and $0.6 million, respectively. During the first quarter of fiscal 2019, Cintas entered into interest rate lock agreements with a notional value of $500.0 million for a forecasted debt issuance. As of February 28, 2019, the fair value of these interest rate locks was a liability of $8.5 million that was recorded in current accrued liabilities and in other comprehensive income, net of tax. These interest rate locks had no impact on net income or cash flows from continuing operations for the three and nine months ended February 28, 2019.

Cintas has certain covenants related to debt agreements. These covenants limit Cintas' ability to incur certain liens, to engage in sale-leaseback transactions and to merge, consolidate or sell all or substantially all of Cintas' assets. These covenants also require Cintas to maintain certain debt to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) and interest coverage ratios. Cross-default provisions exist between certain debt instruments. If a default of a significant covenant were to occur, the default could result in an acceleration of the maturity of the indebtedness, impair liquidity and limit the ability to raise future capital. Cintas was in compliance with all debt covenants for all periods presented.

8. Income Taxes

In the normal course of business, Cintas provides for uncertain tax positions and the related interest and adjusts its unrecognized tax benefits and accrued interest accordingly. As of February 28, 2019 and May 31, 2018, recorded unrecognized tax benefits were $31.5 million and $26.9 million, respectively, and are included in long-term accrued liabilities on the consolidated condensed balance sheet.

The majority of Cintas' operations are in North America. Cintas is required to file federal income tax returns, as well as state income tax returns in a majority of the domestic states and also in certain Canadian provinces. At times, Cintas is subject to audits in these jurisdictions. The audits, by nature, are sometimes complex and can require several years to resolve. The final resolution of any such tax audit could result in either a reduction in Cintas' accruals or an increase in its income tax provision, either of which could have an impact on the consolidated condensed results of operations in any given period.

All U.S. federal income tax returns are closed to audit through fiscal 2015. Cintas is currently in various audits in certain foreign jurisdictions and certain domestic states. The years under foreign and domestic state audits cover fiscal years back to 2013. Based on the resolution of the various audits and other potential regulatory developments, it is reasonably possible that the balance of unrecognized tax benefits would not change for the fiscal year ending May 31, 2019.

On December 22, 2017, the President signed into legislation the Tax Act. Among other changes, the Tax Act reduced the U.S. corporate tax rate from 35% to 21% and required companies to pay a one-time transition tax on earnings of foreign subsidiaries. The Tax Act also included provisions that were expected to offset some of the benefit of the U.S. corporate tax rate reduction, including the repeal of the deduction for domestic production activities and the expansion of the limitation on the deduction of certain executive compensation. In addition, the Tax Act altered the landscape of taxation of non-U.S. operations and provided immediate deductions for certain new investments, among other provisions.

In acknowledgment of the substantial changes incorporated in the Tax Act, and with the timing of the enactment being just weeks before the majority of the provisions became effective, the SEC staff issued Staff Accounting Bulletin (SAB) 118 to provide certain guidance in determining the accounting for income tax effects of the legislation in the accounting period of enactment as well as provide a measurement period within which to finalize and reflect such final effects associated with the Tax Act.

As of February 28, 2019, Cintas has completed the accounting for the tax effects of the Tax Act. In fiscal 2018, Cintas recorded the provisional transition tax liability, net of foreign tax credits of $9.8 million on the mandatory deemed repatriation of foreign earnings. During the first quarter of fiscal 2019, Cintas increased the provisional transition tax liability, net of foreign tax credits, by $3.3 million to $13.1 million due to changes in estimates. In the third quarter of fiscal 2019, Cintas finalized the transition tax liability, net of foreign tax credits, and reduced the provisional estimate by $3.1 million to $9.9 million. In addition, the adjustment to the provisional amount related to the remeasurement of certain deferred tax assets and liabilities resulted in an additional expense of $0.4 million. Cintas also analyzed the impact of the provisions under the Tax Act surrounding executive compensation, the foreign derived intangible income deduction and global intangible low-taxed income and determined that the impact was immaterial for the three and nine months ended February 28, 2019.

Cintas’ effective tax rate for continuing operations was 20.1% and (69.5)% for the three months ended February 28, 2019 and 2018, respectively. For the nine months ended February 28, 2019 and 2018, Cintas' effective tax rate for continuing operations was 19.3% and 0.9%, respectively. All periods were impacted by certain discrete items (primarily the tax accounting for stock-based compensation). The three and nine-month periods ended February 28, 2018 were also largely impacted by the revaluation of deferred tax assets and liabilities as a result of the Tax Act.

9. Pension Plans

In conjunction with the acquisition of G&K in fiscal 2017, Cintas assumed G&K's noncontributory frozen defined benefit pension plan (the Pension Plan) that covers substantially all G&K employees who were employed as of July 1, 2005, except certain employees who were covered by union-administered plans. Benefits are based on the number of years of service and each employee's compensation near retirement. We will make annual contributions to the Pension Plan consistent with federal funding requirements. The Pension Plan was frozen by G&K effective December 31, 2006. Future growth in benefits will not occur beyond this date. Applicable accounting standards require that the consolidated condensed balance sheet reflect the funded status of the Pension Plan. The funded status of the Pension Plan is measured as the difference between the plan assets at fair value and the projected benefit obligation. The net pension liability is included in long-term accrued liabilities on the consolidated condensed balance sheets. Unrecognized differences between actual amounts and estimates based on actuarial assumptions are included in accumulated other comprehensive income in our consolidated condensed balance sheets. The difference between actual amounts and estimates based on actuarial assumptions are recognized in other comprehensive income in the period in which they occur. The Pension Plan assumptions are evaluated annually and are updated as deemed necessary.

The components of net periodic pension cost (benefit) recognized in other comprehensive income for the Pension Plan are as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Interest cost	$781	$ 711	$2,343	$ 2,132
Expected return on assets	(720)	(716)	(2,161)	(2,148)
Total net periodic pension cost (benefit)	$61	$ (5)	$182	$ (16)

10. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income (loss), net of tax:

(In thousands)	Foreign Currency	Unrealized Income on Interest Rate Hedges	Other	Total
Balance at June 1, 2018	$6,550	$10,449	$(656)	$16,343
Other comprehensive loss before reclassifications	(3,019)	(3,168)	—	(6,187)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(295)	—	(295)
Net current period other comprehensive loss	(3,019)	(3,463)	—	(6,482)
Balance at August 31, 2018	3,531	6,986	(656)	9,861
Other comprehensive (loss) income before reclassifications	(10,623)	4,921	—	(5,702)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(294)	—	(294)
Net current period other comprehensive (loss) income	(10,623)	4,627	—	(5,996)
Balance at November 30, 2018	(7,092)	11,613	(656)	3,865
Other comprehensive income (loss) before reclassifications	5,025	(8,183)	—	(3,158)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(295)	—	(295)
Net current period other comprehensive income (loss)	5,025	(8,478)	—	(3,453)
Balance at February 28, 2019	$(2,067)	$3,135	$(656)	$412

(In thousands)	Foreign Currency	Unrealized Income on Interest Rate Hedges	Other	Total
Balance at June 1, 2017	$(12,726)	$11,382	$(1,685)	$(3,029)
Other comprehensive income before reclassifications	35,184	—	20	35,204
Amounts reclassified from accumulated other comprehensive income (loss)	—	(172)	—	(172)
Net current period other comprehensive income (loss)	35,184	(172)	20	35,032
Balance at August 31, 2017	22,458	11,210	(1,665)	32,003
Other comprehensive loss before reclassifications	(11,374)	—	(20)	(11,394)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(172)	—	(172)
Net current period other comprehensive loss	(11,374)	(172)	(20)	(11,566)
Balance at November 30, 2017	11,084	11,038	(1,685)	20,437
Other comprehensive income before reclassifications	2,374	—	—	2,374
Amounts reclassified from accumulated other comprehensive income (loss)	—	(294)	—	(294)
Net current period other comprehensive income (loss)	2,374	(294)	—	2,080
Balance at February 28, 2018	$13,458	$10,744	$(1,685)	$22,517

The following table summarizes the reclassifications out of accumulated other comprehensive income (loss):
Reclassifications out of Accumulated Other Comprehensive Income (Loss)

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line in the Consolidated Condensed Statements of Income
	Three Months Ended		Nine Months Ended		
(In thousands)	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018	
Amortization of interest rate locks	$474	$ 474	$1,422	$ 1,030	Interest expense
Tax expense	(179)	(180)	(538)	(392)	Income taxes
Amortization of interest rate locks, net of tax	$295	$ 294	$884	$ 638	Net income

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11. Segment Information

Cintas classifies its business into two reportable operating segments and places the remainder of its operating segments in an All Other category. Cintas' two reportable operating segments are Uniform Rental and Facility Services and First Aid and Safety Services. The Uniform Rental and Facility Services reportable operating segment, consists of the rental and servicing of uniforms and other garments including flame resistant clothing, mats, mops and shop towels and other ancillary items. In addition to these rental items, restroom cleaning services and supplies, carpet and tile cleaning services and the sale of items from our catalogs to our customers on route are included within this reportable operating segment. The First Aid and Safety Services reportable operating segment consists of first aid and safety products and services. The remainder of Cintas' business, which consists of Fire Protection Services and its Uniform Direct Sale business, is included in All Other.
Cintas evaluates the performance of each operating segment based on several factors of which the primary financial measures are operating segment revenue and income before income taxes. The accounting policies of the operating segments are the same as those described in Note 1 entitled Basis of Presentation. Information related to the operations of Cintas' operating segments is set forth below:

(In thousands)	Uniform Rental and Facility Services	First Aid and Safety Services	All Other	Corporate [1]	Total
For the three months ended February 28, 2019					
Revenue	$1,358,322	$149,170	$174,838	$ —	$1,682,330
Income (loss) before income taxes	$239,138	$21,622	$17,495	$ (26,700)	$251,555
For the three months ended February 28, 2018					
Revenue	$1,284,516	$137,327	$167,295	$ —	$1,589,138
Income (loss) before income taxes	$173,287	$16,705	$10,032	$ (25,517)	$174,507
As of and for the nine months ended February 28, 2019					