CINTAS CORP
Form 10-K
July 30, 2015

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 May 31, 2015

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

Commission File No. 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)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, no par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

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 ü NO

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 ü

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 (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 a check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
YES ü NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

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. (Check one):

Large Accelerated Filer	ü	Accelerated Filer	Smaller Reporting Company	Non-Accelerated Filer	(Do not check if a smaller reporting company.)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES		NO	ü

The aggregate market value of the Registrant's Common Stock held by non-affiliates as of November 28, 2014, was $8,579,254,230 based on a closing sale price of $73.15 per share. As of June 30, 2015, 178,170,012 shares of the Registrant's Common Stock were issued and 110,211,359 shares were outstanding.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement to be filed with the Commission for its 2015 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

Cintas Corporation
Index to Annual Report on Form 10-K

Part I

Item 1. Business

Cintas Corporation ("Cintas," "Company," "we," "us" or "our"), a Washington corporation, provides highly specialized products and services to businesses of all types primarily throughout North America, as well as Latin America, Europe and Asia. Cintas' products and services are designed to enhance its customers' images and brand identification, as well as provide a safe and efficient workplace. Cintas was founded in 1968 by Richard T. Farmer, currently the Chairman Emeritus of the Board of Directors, when he left his family's industrial laundry business in order to develop uniform programs using an exclusive new fabric. In the early 1970's, Cintas acquired the family industrial laundry business. Over the years, Cintas developed additional products and services that complemented its core uniform business and broadened the scope of products and services available to its customers.

Effective August 31, 2014, Cintas classifies its businesses into three reportable operating segments ("operating segments") based on the types of products and services provided. The Rental Uniforms and Ancillary Products 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 and carpet and tile cleaning services are also provided within this operating segment. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. Previously, Cintas classified its businesses into four operating segments. The Document Management Services operating segment is no longer considered an operating segment. This operating segment consisted of document destruction services ("Shredding") and document imaging and retention services ("Storage"). On April 30, 2014, Cintas completed its partnership transaction with the shareholders of Shred-it International Inc. (Shred-it) to combine Cintas' Shredding with Shred-it's shredding business ("the Shredding Transaction"). Due to the deconsolidation of Shredding, fiscal 2015 results exclude the results of Shredding. Shredding remains reported in continuing operations for fiscal 2014 (through April 30, 2014 as previously discussed) and 2013. Based on the change in reportable operating segments, the results of Shredding for the year ended May 31, 2014 are presented within Corporate. Additionally, effective August 31, 2014, Storage is reported as a discontinued operation for all periods presented and has been excluded from continuing operations and from operating segment results for all periods presented. In the quarter ended November 30, 2014, Cintas sold Storage in a series of transactions ("Storage Transactions"). Please see Note 17 entitled Discontinued Operations of "Notes to Consolidated Financial Statements" for additional information.

On April 30, 2014, the Shredding Transaction was completed. Cintas Shredding represented approximately 76%, 80%, and 70% of Cintas' Document Management Services operating segment's assets, revenue, and income before income taxes, respectively, as of and for the quarter ended February 28, 2014. Under the agreement, Cintas and Shred-it each contributed its shredding business to a newly formed partnership owned 42% by Cintas and 58% by the shareholders of Shred-it ("the Shred-it Partnership"). In addition to its 42% ownership of the Shred-it Partnership, Cintas received $180.0 million in cash at the closing of the Shredding Transaction. Cintas' equity interest in the partnership is accounted for under the equity method of accounting as prescribed by U.S. generally accepted accounting principles ("GAAP").

We provide our products and services to over one million businesses of all types — from small service and manufacturing companies to major corporations that employ thousands of people. This diversity in customer base results in no individual customer accounting for greater than one percent of Cintas' total revenue. As a result, the loss of one account would not have a significant financial impact on Cintas.

The following table sets forth Cintas' total revenue and the revenue derived from each operating segment:

Fiscal Year Ended May 31, (in thousands) [1]	2015	2014	2013
Rental Uniforms and Ancillary Products	$3,454,956	$3,223,930	$3,044,587
Uniform Direct Sales	453,653	455,485	461,328
First Aid, Safety and Fire Protection Services	568,277	514,429	460,592
Corporate [2]	—	275,721	279,457
Total Revenue	$4,476,886	$4,469,565	$4,245,964

(1) The figures for all years presented reflect the change in classification of Storage to discontinued operations within the Consolidated Statements of Income. See Note 17 entitled Discontinued Operations of "Notes to Consolidated Financial Statements."

(2) Corporate results for the fiscal years ended 2014 and 2013 include Shredding revenue. Fiscal year 2014 includes only eleven months of Shredding revenue as the Shredding Transaction closed on April 30, 2014.

Additional information regarding each operating segment is also included in Note 15 entitled Operating Segment Information of "Notes to Consolidated Financial Statements."

The primary markets served by all Cintas operating segments are local in nature and highly fragmented. Cintas competes with national, regional and local providers, and the level of competition varies at each of Cintas' local operations. Product, design, price, quality, service and convenience to the customer are the competitive elements in each of our operating segments.

Within the Rental Uniforms and Ancillary Products operating segment, Cintas provides its products and services to customers via local delivery routes originating from rental processing plants and branches. Within the Uniform Direct Sales and First Aid, Safety and Fire Protection Services operating segments, Cintas provides its products and services via its distribution network and local delivery routes or local representatives. In total, Cintas has approximately 8,000 local delivery routes, 364 operational facilities and eight distribution centers. At May 31, 2015, Cintas employed approximately 32,000 employees, of which approximately 200 were represented by labor unions.

Cintas sources finished products from many outside suppliers. In addition, Cintas operates five manufacturing facilities that provide for standard uniform needs. Cintas purchases fabric, used in its manufacturing process, from several suppliers. Cintas is not aware of any circumstances that would hinder its ability to continue obtaining these materials.

Cintas is subject to various environmental laws and regulations, as are other companies in the uniform rental industry. While environmental compliance is not a material component of its costs, Cintas must incur capital expenditures and associated operating costs, primarily for water treatment and waste removal, on a regular basis. Environmental spending related to water treatment and waste removal was approximately $12 million in fiscal 2015 and approximately $21 million in fiscal 2014. Capital expenditures to limit or monitor hazardous substances totaled approximately $4 million in fiscal 2015, and there were no capital expenditures in fiscal 2014. Cintas does not expect a material change in the cost of environmental compliance and is not aware of any material non-compliance with environmental laws.

Cintas uses its corporate website, www.cintas.com, as a channel for routine distribution of important information, including news releases, analyst presentations and financial information. Cintas files with or furnishes to the SEC 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 well as proxy statements and annual reports to shareholders, and, from time to time, other documents. The reports and other documents filed with or furnished to the SEC are available to investors on or through our corporate website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. In addition, the public may read and copy any of the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. The public may obtain information on the operation of the facilities by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site located at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers, such as Cintas, that file electronically with the SEC. Cintas' SEC filings and its Code of Business Conduct can be found on the

Investor Information page of its website at www.cintas-corp.com/company/investor_information/highlights.aspx. These documents are available in print to any shareholder who requests a copy by writing or calling Cintas as set forth on the Investor Information page. The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted.

Item 1A. Risk Factors

The statements in this section describe the most significant risks that could materially and adversely affect our business, consolidated financial condition and consolidated results of operation and the trading price of our debt or equity securities.

In addition, this section sets forth statements which constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

This Annual Report on Form 10-K contains forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor from civil litigation for forward-looking statements. Forward-looking statements may be identified by words such as "estimates," "anticipates," "predicts," "projects," "plans," "expects," "intends," "target," "forecast," "believes," "seeks," "could," "should," "may" and "will" or the negative versions thereof and similar words, terms and expressions and by the context in which they are used. Such statements are based upon current expectations of Cintas and speak only as of the date made. You should not place undue reliance on any forward-looking statement. We cannot guarantee that any forward-looking statement will be realized. These statements are subject to various risks, uncertainties, potentially inaccurate assumptions and other factors that could cause actual results to differ from those set forth in or implied by this Annual Report. Factors that might cause such a difference include, but are not limited to, the successful completion of the sale of Cintas' investment in the Shred-it Partnership within the expected timeframe or at all; the possibility of greater than anticipated operating costs including energy and fuel costs; lower sales volumes; loss of customers due to outsourcing trends; the performance and costs of integration of acquisitions; fluctuations in costs of materials and labor including increased medical costs costs; costs and possible effects of union organizing activities; failure to comply with government regulations concerning employment discrimination, employee pay and benefits and employee health and safety; the effect on operations of exchange fluctuations, tariffs and other political, economic and regulatory risks; uncertainties regarding any existing or newly-discovered expenses and liabilities related to environmental compliance and remediation; the cost, results and ongoing assessment of internal controls for financial reporting required by the Sarbanes-Oxley Act of 2002; disruptions caused by the inaccessibility of computer systems data, including cybersercurity risks; the initiation or outcome of litigation, investigations or other proceedings; higher assumed sourcing or distribution costs of products, the disruption of operations from catastrophic or extraordinary events; the amount and timing of repurchases of our common stock, if any; changes in federal and state tax and labor laws; the reactions of competitors in terms of price and service; and the ultimate impact of the Affordable Care Act. Cintas undertakes no obligation to publicly release any revisions to any forward-looking statements or to otherwise update any forward-looking statements whether as a result of new information or to reflect events, circumstances or any other unanticipated developments arising after the date on which such statements are made, except otherwise as required by law. The risks and uncertainties described herein are not the only ones we may face. Additional risks and uncertainties presently not known to us or that we currently believe to be immaterial may also harm our business.

Negative global economic factors may adversely affect our financial performance.

Negative economic conditions, in North America and our other markets, may adversely affect our financial performance. Higher levels of unemployment, inflation, tax rates and other changes in tax laws and other economic factors could adversely affect the demand for Cintas' products and services. Increases in labor costs, including the cost to provide employee-partner related healthcare benefits, labor shortages or shortages of skilled labor, higher material costs for items such as fabrics and textiles, the inability to obtain insurance coverage at cost-effective rates, higher interest rates, inflation, higher tax rates and other changes in tax laws and other economic factors could increase our costs of rental uniforms and ancillary products and other services and selling and administrative expenses. As a result, these factors could adversely affect our sales and consolidated results of operations.

Increased competition could adversely affect our financial performance.

We operate in highly competitive industries and compete with national, regional and local providers. Product, design, price, quality, service and convenience to the customer are the competitive elements in these industries. If existing or future competitors seek to gain or retain market share by reducing prices, Cintas may be required to lower prices, which would hurt its results of operations. Cintas' competitors also generally compete with Cintas for acquisition candidates, which can increase the price for acquisitions and reduce the number of available acquisition candidates. In addition, our customers and prospects may decide to perform certain services in-house instead of outsourcing these services to us. These competitive pressures could adversely affect our sales and consolidated results of operations.

An inability to open new, cost effective operating facilities may adversely affect our expansion efforts.
We plan to expand our presence in existing markets and enter new markets. The opening of new operating facilities is necessary to gain the capacity required for this expansion. Our ability to open new operating facilities depends on our ability to identify attractive locations, negotiate leases or real estate purchase agreements on acceptable terms, identify and obtain adequate utility and water sources and comply with environmental regulations, zoning laws and other similar factors. Any inability to effectively identify and manage these items may adversely affect our expansion efforts, and, consequently, adversely affect our financial performance.
Risks associated with our acquisition practice could adversely affect our results of operations.
Historically, a portion of our growth has come from acquisitions. We continue to evaluate opportunities for acquiring businesses that may supplement our internal growth. However, there can be no assurance that we will be able to locate and purchase suitable acquisitions. In addition, the success of any acquisition depends in part on our ability to integrate the acquired company. The process of integrating acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of our management's attention and our financial and other resources. Although we conduct due diligence investigations prior to each acquisition, there can be no assurance that we will discover or adequately protect against all material liabilities of an acquired business for which we may be responsible as a successor owner or operator. The failure to successfully integrate these acquired businesses or to discover such liabilities could adversely affect our consolidated results of operations.
Increases in fuel and energy costs could adversely affect our financial condition and results of operations.
The price of fuel and energy needed to run our vehicles and equipment is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns, limits on refining capacities, natural disasters and environmental concerns. Increases in fuel and energy costs could adversely affect our consolidated financial condition and consolidated results of operations.
Unionization campaigns could adversely affect our results of operations.
Cintas has been and could continue to be the target of a unionization campaign by several unions. These unions have attempted to pressure Cintas into surrendering its employees' rights to a government-supervised election by unilaterally accepting union representation. We will continue to vigorously oppose any unionization campaign and defend our employees' rights to a government-supervised election. Unionization campaigns could be materially disruptive to our business and could adversely affect our consolidated results of operations.
Risks associated with the suppliers from whom our products are sourced could adversely affect our results of operations.
The products we sell are sourced from a wide variety of domestic and international suppliers. Global sourcing of many of the products we sell is an important factor in our financial performance. We require all of our suppliers to comply with applicable laws, including labor and environmental laws, and otherwise be certified as meeting our required supplier standards of conduct. Our ability to find qualified suppliers who meet our standards, and to access products in a timely and efficient manner is a significant challenge, especially with respect to suppliers located and goods sourced outside the United States. Political and economic stability in the countries in which foreign suppliers are located, the financial stability of suppliers, suppliers' failure to meet our supplier standards, labor problems experienced by our suppliers, the availability of raw materials to suppliers, currency exchange rates, transport availability and cost, inflation and other factors relating to the suppliers and the countries in which they are located are beyond our control. In addition, U.S. and foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our consolidated results of operations.
Fluctuations in foreign currency exchange could adversely affect our financial condition and results of operations.
We earn revenue, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar, including the Canadian dollar, British pound, and the euro. In fiscal years 2015, 2014 and 2013, revenue denominated in currencies other than the U.S. dollar represented less than 10% of our consolidated revenue. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenue, income and expenses,

as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, fluctuations in the value of the U.S. dollar against other major currencies, particularly in the event of significant increases in foreign currency revenue, will impact our revenue and operating income and the value of balance sheet items denominated in foreign currencies. This impact could adversely affect our consolidated financial condition and consolidated results of operations.

Failure to comply with federal and state regulations to which we are subject could result in penalties or costs that could adversely affect our results of operations.

Our business is subject to complex and stringent state and federal regulations, including employment laws and regulations, minimum wage requirements, overtime requirements, working condition requirements, citizenship requirements, transportation and other laws and regulations. In particular, we are subject to the regulations promulgated by the U.S. Department of Transportation, or USDOT, and under the Occupational Safety and Health Act of 1970, as amended, or OSHA. We have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of our business in complying with the USDOT, OSHA and other laws and regulations to which we are subject. Changes in laws, regulations and the related interpretations may alter the landscape in which we do business and may affect our costs of doing business. The impact of new laws and regulations cannot be predicted. Compliance with new laws and regulations may increase our operating costs or require significant capital expenditures. Any failure to comply with applicable laws or regulations could result in substantial fines by government authorities, payment of damages to private litigants, or possible revocation of our authority to conduct our operations, which could adversely affect our ability to service customers and our consolidated results of operations.

We are subject to legal proceedings that may adversely affect our financial condition and results of operations.

We are party to various litigation claims and legal proceedings. We discuss these lawsuits and other litigation to which we are party in greater detail under the caption "Item 3. Legal Proceedings" and in Note 13 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements." Certain of these lawsuits or potential future lawsuits, if decided adversely to us or settled by us, may result in liability and expense material to our consolidated financial condition and consolidated results of operations.

Compliance with environmental laws and regulations could result in significant costs that adversely affect our results of operations.

Our operating locations are subject to environmental laws and regulations relating to the protection of the environment and health and safety matters, including those governing discharges of pollutants to the air and water, the management and disposal of hazardous substances and wastes and the clean-up of contaminated sites. The operation of our businesses entails risks under environmental laws and regulations. We could incur significant costs, including clean-up costs, fines and sanctions and claims by third parties for property damage and personal injury, as a result of violations of or liabilities under these laws and regulations. We are currently involved in a limited number of remedial investigations and actions at various locations. While based on information currently known to us, we believe that we maintain adequate reserves with respect to these matters, our liability could exceed forecasted amounts, and the imposition of additional clean-up obligations or the discovery of additional contamination at these or other sites could result in significant additional costs which could adversely affect our results of operations. In addition, potentially significant expenditures could be required to comply with environmental laws and regulations, including requirements that may be adopted or imposed in the future.

Under applicable environmental laws, an owner or operator of real estate may be required to pay the costs of removing or remediating hazardous materials located on or emanating from property, whether or not the owner or operator knew of or was responsible for the presence of such hazardous materials. While we regularly engage in environmental due diligence in connection with acquisitions, we can give no assurance that locations that have been acquired or leased have been operated in compliance with environmental laws and regulations during prior periods or that future uses or conditions will not make us liable under these laws or expose us to third-party actions, including tort suits.

We rely extensively on computer systems to process transactions, maintain information and manage our businesses. Disruptions in the availability of computer systems, or privacy breaches involving computer systems, could impact our ability to service our customers and adversely affect our sales, results of operations and reputation and expose us to litigation risk.

Our businesses rely on our computer systems to provide customer information, process customer transactions and provide other general information necessary to manage our businesses. We have an active disaster recovery plan in place that is frequently reviewed and tested. However, our computer systems are subject to damage or interruption due to system conversions, power outages, computer or telecommunication failures, catastrophic events such as fires, tornadoes and hurricanes and usage errors by our employees. Although we believe that we have adopted appropriate measures to mitigate potential risks to our technology and our operations from these information technology-related and other potential disruptions, given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to production downtimes, operational delays and interruptions in our ability to provide products and services to our customers. Any disruption caused by the unavailability of our computer systems could adversely affect our sales, could require us to make a significant investment to fix or replace them and, therefore, could adversely affect our consolidated results of operations. In addition, cyber-security attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data. If the network of security controls, policy enforcement mechanisms and monitoring systems to address these threats to our technology fails, the compromising of confidential or otherwise protected Company, customer, or employee information, destruction or corruption of data, security breaches, or other manipulation or improper use of our systems and networks could result in financial losses from remedial actions, loss of business or potential liability and damage to our reputation.

Failure to achieve and maintain effective internal controls could adversely affect our business and stock price.

Effective internal controls are necessary for us to provide reliable financial reports. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the consolidated financial statement preparation and presentation. While we continue to evaluate our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. If we fail to maintain the adequacy of our internal controls or if we or our independent registered public accounting firm were to discover material weaknesses in our internal controls, as such standards are modified, supplemented or amended, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Failure to achieve and maintain an effective internal control environment could cause us to be unable to produce reliable financial reports or prevent fraud. This may cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

We may experience difficulties in attracting and retaining competent personnel in key positions.

We believe that a key component of our success is our corporate culture, which has been imparted by management throughout our corporate organization. This factor, along with our entire operation, depends on our ability to attract and retain key employees. Competitive pressures within and outside our industry may make it more difficult and expensive for us to attract and retain key employees which could adversely affect our businesses.

Unexpected events could disrupt our operations and adversely affect our results of operations.

Unexpected events, including fires or explosions at facilities, natural disasters such as hurricanes and tornadoes, war or terrorist activities, unplanned outages, supply disruptions, failure of equipment or systems or changes in laws and/or regulations impacting our businesses, could adversely affect our results of operations. These events could result in customer disruption, physical damage to one or more key operating facilities, the temporary closure of one or more key operating facilities or the temporary disruption of information systems.

We may recognize impairment charges, which could adversely affect our financial condition and results of operations.

We assess our goodwill and other intangible assets and our long-lived assets for impairment when required by U.S. generally accepted accounting principles. These accounting principles require that we record an impairment charge if circumstances indicate that the asset carrying values exceed their estimated fair values. The estimated fair value of these assets is impacted by general economic conditions in the locations in which we operate. Deterioration in these general economic conditions may result in: declining revenue, which can lead to excess capacity and declining operating cash flow; reductions in management's estimates for future revenue and operating cash flow growth; increases in borrowing rates and other deterioration in factors that impact our weighted average cost of capital; and deteriorating real estate values. If our assessment of goodwill, other intangible assets or long-lived assets indicates an impairment of the carrying value for which we recognize an impairment charge, this may adversely affect our consolidated financial condition and consolidated results of operations.

The effects of credit market volatility and changes in our credit ratings could adversely affect our liquidity and results of operations.

Our operating cash flows, combined with access to the credit markets, provide us with significant discretionary funding capacity. However, deterioration in the global credit markets may limit our ability to access credit markets, which could adversely affect our liquidity and/or increase our cost of borrowing. In addition, credit market deterioration and its actual or perceived effects on our results of operations and financial condition, along with deterioration in general economic conditions, may increase the likelihood that the major independent credit agencies will downgrade our credit ratings, which could increase our cost of borrowing. Increases in our cost of borrowing could adversely affect our consolidated results of operations.

We may not be able to successfully complete the pending sale of our interest in the Shred-It Partnership, in which case we may encounter difficulties.

On July 15, 2015, Cintas announced that it entered into a definitive agreement to sell its investment in the Shred-it Partnership to Stericycle, Inc., a global business to business compliance solutions provider specializing in complex and highly regulated arenas. Upon closing of the transaction, the Shred-it Partnership will become a wholly owned subsidiary of Stericycle. The transaction is expected to close in the second quarter of fiscal 2016, subject to obtaining regulatory approvals and satisfaction of other customary closing conditions. However, we may not be able to complete the proposed sale within the expected timeframe or at all.

If we are not able to complete the proposed sale of our equity investment in the Shred-it Partnership, we will encounter risks related to the Shred-it Partnership, including difficulties in the combination of operations, services, and personnel, and may divert management’s attention from business operations. The inability of the Shred-it Partnership to successfully combine the businesses in a manner that permits the entity to achieve the full revenue and cost synergies could adversely impact the value of our investment. The loss of revenue due to the Shred-it Partnership may have a dilutive impact that we may be unable to offset. We may also incur unexpected costs, including impairment charges, litigation, and other liabilities. As a minority partner in the partnership, our ability to influence our partner may be limited, and non-alignment of interests on various strategic decisions in the partnership may adversely impact our business. For example, our partner may: (i) have economic or business interests or goals that are inconsistent with ours; (ii) take actions contrary to our policies or objectives; (iii) undergo a change of control; (iv) experience financial and other difficulties; or (v) be unable or unwilling to fulfill its obligations under the agreements governing the Shred-it Partnership, which may affect our consolidated financial condition or consolidated results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Cintas occupies 377 facilities located in 286 cities. Cintas leases 184 of these facilities for various terms ranging from monthly to the year 2027. Cintas expects that it will be able to renew or replace its leases on satisfactory terms. Of the five manufacturing facilities noted below, Cintas controls the operations of one manufacturing facility, but does not own or lease the real estate related to the operation. All other facilities are owned. The principal executive office in Cincinnati, Ohio, provides centrally located administrative functions including accounting, finance, marketing and computer system development and support. Cintas operates rental processing plants that house administrative, sales and service personnel and the necessary equipment involved in the cleaning of uniforms and bulk items, such as entrance mats and shop towels. Branch operations provide administrative, sales and service functions. Cintas operates eight distribution centers and five manufacturing facilities. Cintas also operates first aid, safety and fire protection and and direct sales offices. Cintas considers the facilities it operates to be adequate for their intended use. Cintas owns or leases approximately 13,600 vehicles which are used for the route-based services and by the sales and management employee-partners.

The following chart provides additional information concerning Cintas' facilities:

Type of Facility	# of Facilities	
Rental Processing Plants	165	
Rental Branches	111	
First Aid, Safety and Fire Protection Facilities	68	
Distribution Centers	8	*
Manufacturing Facilities	5	
Direct Sales Offices	15	
Corporate	5	
Total	377	

Rental processing plants, rental branches, distribution centers and manufacturing facilities are used in Cintas' Rental Uniforms and Ancillary Products operating segment. Rental processing plants, rental branches, distribution centers, manufacturing facilities and direct sales offices are all used in the Uniform Direct Sales operating segment. First aid, safety and fire protection facilities, rental processing facilities and distribution centers are used in the First Aid, Safety and Fire Protection Services operating segment. Corporate facilities include facilities previously utilized in the former Document Management Services operating segment that were excluded from the Storage Transactions.

* Includes the principal executive office, which is attached to the distribution center in Cincinnati, Ohio.

Item 3. Legal Proceedings

We discuss material legal proceedings (other than ordinary routine litigation incidental to our business) pending against us in "Item 8. Financial Statements and Supplementary Data," in Note 13 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements." We refer you to and incorporate by reference into this Item 3 that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity,
Related Stockholder Matters and Issuer Purchases of Equity Securities
Market Information
Cintas' common stock is traded on the NASDAQ Global Select Market under the symbol "CTAS." The following table provides the high and low sales prices of shares of Cintas' common stock by quarter during the last two fiscal years:

Fiscal 2015 Quarter Ended	High	Low
May 2015	$88.23	$79.51
February 2015	84.18	70.61
November 2014	73.95	65.79
August 2014	66.50	61.70

Fiscal 2014 Quarter Ended	High	Low
May 2014	$62.26	$55.65
February 2014	63.28	53.83
November 2013	57.99	47.64
August 2013	49.42	44.55

Holders
At May 31, 2015, there were approximately 2,000 shareholders on record of Cintas' common stock. Cintas believes that this represents approximately 46,000 beneficial owners.
Dividends
Dividends on Cintas' outstanding common stock have been paid annually and amounted to $1.70 per share, $0.77 per share, and $0.64 per share in fiscal 2015, 2014 and 2013, respectively. The fiscal 2015 dividend was comprised of an annual cash dividend of $0.85 per share, and an additional $0.85 per share special dividend related to the cash proceeds received from the Shred-it Transaction.

Stock Performance Graph

The following graph summarizes the cumulative return on $100 invested in Cintas' common stock, the S&P 500 Stock Index and the common stocks of a selected peer group of companies. Because our products and services are diverse, Cintas does not believe that any single published industry index is appropriate for comparing shareholder return. Therefore, the peer group used in the performance graph combines four publicly traded companies in the business services industry that have similar characteristics as Cintas, such as route based delivery of products and services. The companies included in the Peer Group are G & K Services, Inc., UniFirst Corporation, ABM Industries, Inc., and Iron Mountain, Inc.

Total shareholder return was based on the increase in the price of the common stock and assumed reinvestment of all dividends. Further, total return was weighted according to market capitalization of each company. The companies in the Peer Group are not the same as those considered by the Compensation Committee of the Board of Directors.

Total Shareholder Returns

Comparison of Five-Year Cumulative Total Return

Purchases of Equity Securities by the Issuer and Affiliated Purchases

Period (In millions, except share and per share data)	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of the publicly announced plan [1]	Maximum approximate dollar value of shares that may yet be purchased under the plan [1]
March 1 - 31, 2015 [2]	1,249	$82.74	—	$500.0
April 1 - 30, 2015 [3]	1,013,371	81.93	1,013,024	417.0
May 1 - 31, 2015 [4]	1,858,306	82.97	1,856,934	262.9
Total	2,872,926	$82.60	2,869,958	$262.9

(1) On January 13, 2015, Cintas announced that the Board of Directors authorized a new $500.0 million share buyback program, which does not have an expiration date. From the inception of the January 13, 2015 share buyback program through May 31, 2015, Cintas has purchased a total of 2.9 million shares of Cintas common stock at an average price of $82.60 per share for a total purchase price of $237.1 million.

(2) During March 2015, Cintas acquired 1,249 shares of Cintas common stock in satisfaction of employee payroll taxes due on restricted stock awards that vested during the fiscal year. These shares were purchased at an average price of $82.74 per share for a total purchase price of $0.1 million.

(3) During April 2015, Cintas acquired 347 shares of Cintas common stock in satisfaction of employee payroll taxes due on restricted stock awards that vested during the fiscal year. These shares were purchased at an average price of $81.62 per share for a total purchase price of less than $0.1 million.

(4) During May 2015, Cintas acquired1,372 shares of Cintas common stock in satisfaction of employee payroll taxes due on restricted stock awards that vested during the fiscal year. These shares were purchased at an average price of $86.01 per share for a total purchase price of $0.1 million.

Item 6. Selected Financial Data
Five-Year Financial Summary
(In thousands except per share and percentage data)

Fiscal Years Ended May 31,	2011(1)	2012(1)	2013(1)	2014(1)(2)	2015(1)	Compound Annual Growth (2011-2015)
Revenue	3,748,957	4,032,464	4,245,964	4,469,565	4,476,886	4.5 %
Net Income, Continuing Operations	249,536	300,468	316,586	374,285	408,077	13.1 %
Net (Loss) Income, Discontinued Operations	(2,547)	(2,831)	(1,144)	157	22,541	72.5 %
Net Income	246,989	297,637	315,442	374,442	430,618	14.9 %
Basic Earnings (Loss) Per Share:						
Continuing Operations	1.69	2.29	2.54	3.08	3.49	19.9 %
Discontinued Operations	(0.01)	(0.02)	(0.01)	0.00	0.19	108.8 %
Basic Earnings per Share	1.68	2.27	2.53	3.08	3.68	21.7 %
Diluted Earnings (Loss) Per Share:						
Continuing Operations	1.69	2.29	2.53	3.05	3.44	19.4 %
Discontinued Operations	(0.01)	(0.02)	(0.01)	0.00	0.19	108.8 %
Diluted Earnings (Loss) Per Share	1.68	2.27	2.52	3.05	3.63	21.2 %
Dividends Per Share	0.49	0.54	0.64	0.77	1.70	36.5 %
Total Assets	4,351,940	4,165,706	4,345,632	4,462,452	4,192,460	(0.9)%
Shareholders' Equity	2,302,649	2,139,135	2,201,492	2,192,858	1,932,455	(4.3)%
Return on Average Equity (3)	10.3 %	13.5 %	14.6 %	17.0 %	19.8 %	
Long-Term Debt	1,284,790	1,059,166	1,300,979	1,300,477	1,300,000	

(1) Effective August 31, 2014, the Storage business was classified as discontinued operations. In accordance with the applicable accounting guidance for the disposal of long-lived assets, the results of Storage have been excluded from continuing operations for all periods presented. Please see Note 17 entitled Discontinued Operations of "Notes to Consolidated Financial Statements" for additional information.

(2) On April 30, 2014, the Shredding Transaction was completed with the shareholders of Shred-it to combine Cintas' Shredding with Shred-it's shredding business. Under the agreement, Cintas and Shred-it each contributed its shredding business to a newly formed partnership owned 42% by Cintas and 58% by the shareholders of Shred-it. In addition to its 42% ownership of the Shred-it Partnership, Cintas received $180.0 million in cash at the closing of the Shredding Transaction. The Company realized a $106.4 million gain on deconsolidation of Shredding. In addition, as a result of the Shredding Transaction, the Company recorded an asset impairment charge of $16.1 million and other transaction costs of $28.5 million. Please see Note 9 entitled Acquisitions and Deconsolidations of "Notes to Consolidated Financial Statements" for additional information.

(3) Return on average equity is computed as net income from continuing operations divided by the average of shareholders' equity. We believe that this calculation gives management and shareholders a good indication of Cintas' historical performance.

Item 7. Management's Discussion and Analysis
of Financial Condition and Results of Operations
Business Strategy
Cintas provides highly specialized products and services to businesses of all types primarily throughout North America, as well as Latin America, Europe and Asia. We bring value to our customers by helping them provide a cleaner, safer and more pleasant atmosphere for their customers and employees. Our products and services are designed to improve our customers' images. We also help our customers protect their employees and their company by enhancing workplace safety and helping to ensure legal compliance in key areas of their business.
We are North America's leading provider of corporate identity uniforms through rental and sales programs, as well as a significant provider of related business services, including entrance mats, restroom cleaning services and supplies, carpet and tile cleaning services, and first aid, safety and fire protection products and services.
Cintas' principal objective is "to exceed customers' expectations in order to maximize the long-term value of Cintas for shareholders and working partners," and it provides the framework and focus for Cintas' business strategy. This strategy is to achieve revenue growth for all of our products and services by increasing our penetration at existing customers and by broadening our customer base to include business segments to which we have not historically served. We will also continue to identify additional product and service opportunities for our current and future customers.
To pursue the strategy of increasing penetration, we have a highly talented and diverse team of service professionals visiting our customers on a regular basis. This frequent contact with our customers enables us to develop close personal relationships. The combination of our distribution system and these strong customer relationships provides a platform from which we launch additional products and services.
We pursue the strategy of broadening our customer base in several ways. Cintas has a national sales organization introducing all of our products and services to prospects in all business segments. Our broad range of products and services allows our sales organization to consider any type of business a prospect. We also broaden our customer base through geographic expansion, especially in our first aid and safety and fire protection businesses. Finally, we evaluate strategic acquisitions as opportunities arise.

Results of Operations
Effective August 31, 2014, Cintas classifies its businesses into three operating segments based on the types of products and services provided. The Rental Uniforms and Ancillary Products 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 and carpet and tile cleaning services are also provided within this operating segment. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. Cintas evaluates operating segment performance based on revenue and income before income taxes. Revenue and income before income taxes for each of these operating segments for the years ended May 31, 2015, 2014, and 2013 are presented in note 15 entitled Operating Segment Information of "Notes to Consolidated Financial Statements." The Company regularly reviews its operating segments for reporting purposes based on the information its chief operating decision maker regularly reviews for purposes of allocating resources and assessing performance and makes changes when appropriate. Previously, Cintas classified its businesses into four operating segments. The Document Management Services operating segment is no longer considered an operating segment. This operating segment consisted of document destruction services ("Shredding") and document imaging and retention services ("Storage"). On April 30, 2014, Cintas completed its partnership transaction with the shareholders of Shred-it International Inc. (Shred-it) to combine Cintas' Shredding with Shred-it's shredding business. Due to the deconsolidation of Shredding, fiscal 2015 results exclude the results of Shredding. Shredding remains reported in continuing operations for fiscal 2014 (through April 30, 2014) and fiscal 2013. Based on the change in reportable operating segments, the results of Shredding for the years ended May 31, 2014 and 2013 are presented in Corporate. Additionally, effective August 31, 2014, Storage is reported as a discontinued operation for all periods presented and has been excluded from continuing operations and

from operating segment results for all periods presented. In the quarter ended November 30, 2014, Cintas sold Storage in a series of transactions ("Storage Transactions"). Please see Note 17 entitled Discontinued Operations of "Notes to Consolidated Financial Statements" for additional information.

The following table sets forth certain consolidated statements of income data as a percent of revenue by operating segment and in total for the fiscal years ended May 31:

	2015[1]		2014[1][2]		2013[1][2]	
Revenue:						
Rental Uniforms and Ancillary Products	77.2	%	72.1	%	71.7	%
Uniform Direct Sales	10.1	%	10.2	%	10.9	%
First Aid, Safety and Fire Protection Services	12.7	%	11.5	%	10.8	%
Corporate	—	%	6.2	%	6.6	%
Total revenue	100.0	%	100.0	%	100.0	%
Cost of sales:						
Rental Uniforms and Ancillary Products	55.4	%	56.7	%	57.7	%
Uniform Direct Sales	71.5	%	71.5	%	70.7	%
First Aid, Safety and Fire Protection Services	55.9	%	56.2	%	56.7	%
Corporate	—	%	55.1	%	53.2	%
Total cost of sales	57.1	%	58.1	%	58.7	%
Gross margin:						
Rental Uniforms and Ancillary Products	44.6	%	43.3	%	42.3	%
Uniform Direct Sales	28.5	%	28.5	%	29.3	%
First Aid, Safety and Fire Protection Services	44.1	%	43.8	%	43.3	%
Corporate	—	%	44.9	%	46.8	%
Total gross margin	42.9	%	41.9	%	41.3	%
Selling and administrative expenses:						
Rental Uniforms and Ancillary Products	27.5	%	27.5	%	27.4	%
Uniform Direct Sales	18.8	%	18.3	%	17.7	%
First Aid, Safety and Fire Protection Services	33.6	%	34.3	%	33.9	%
Corporate	—	%	42.7	%	40.8	%
Total selling and administrative expenses	27.4	%	28.3	%	28.0	%
Gain on sale of stock of an equity method investment	0.5	%	—	%	—	%
Gain on deconsolidation of Shredding, net of impairment charges and other transaction costs	0.1	%	1.4	%	—	%
Interest expense, net	1.4	%	1.5	%	1.5	%
Income before income taxes	14.7	%	13.5	%	11.8	%

(1) The figures for all years presented reflect the change in classification of Storage to discontinued operations within the Consolidated Statements of Income. See Note 17 entitled Discontinued Operations of "Notes to Consolidated Financial Statements."

(2) Corporate results for the fiscal years ended 2014 and 2013 include Shredding. Fiscal year 2014 includes only eleven months of Shredding results as the Shredding Transaction closed on April 30, 2014.

Fiscal 2015 Compared to Fiscal 2014

On April 30, 2014, Cintas completed the Shredding Transaction with Shred-it to combine Cintas' Shredding with Shred-it's shredding business (the "Shredding Transaction"). Under the agreement, Cintas and Shred-it each contributed its shredding business to a newly formed partnership. Please see Note 9 entitled Acquisitions and Deconsolidations of "Notes to Consolidated Financial Statements" for additional information on the Shredding Transaction.

Fiscal 2015 total revenue was $4.5 billion, an increase of 0.2% over the prior fiscal year. Revenue increased organically by 7.1% as a result of increased sales volume. Organic growth excludes the impact of acquisitions, disposals, deconsolidations and foreign currency exchange rate fluctuations. Revenue growth was negatively impacted by 6.6% because of the deconsolidation of Shredding, which contributed $275.7 million of revenue in fiscal year 2014, and 0.5% due to foreign currency exchange rate fluctuations. Acquisitions positively impacted the growth rate by 0.2%.

Organic growth by quarter is shown in the table below.

	Organic Growth	
First Quarter Ending August 31, 2014	7.3	%
Second Quarter Ending November 30, 2014	7.2	%
Third Quarter Ending February 28, 2015	7.5	%
Fourth Quarter Ending May 31, 2015	6.0	%
For the Fiscal Year Ending May 31, 2015	7.1	%

Rental Uniforms and Ancillary Products operating segment revenue consists predominantly of revenue derived from the rental of corporate identity uniforms and other garments, including flame resistant clothing, and the rental and/or sale of mats, mops, shop towels, restroom supplies and other rental services. Revenue from the Rental Uniforms and Ancillary Products operating segment increased 7.2% compared to fiscal 2014. The increase resulted from an organic growth increase in revenue of 7.7%. The amount of new business grew, resulting from an increase in the number and productivity of sales representatives. Generally, sales productivity improvements are the result of increased tenure and improved training, which result in a higher number of products and services sold. Revenue growth was negatively impacted by 0.5% due to foreign currency exchange rate fluctuations.

Other Services revenue, consisting of revenue from the operating segments of Uniform Direct Sales, and First Aid, Safety and Fire Protection Services as well as Shredding (through April 30, 2014), decreased 18.0% compared to fiscal 2014. Revenue increased organically by 5.0%. Revenue growth was negatively impacted by 23.3% due to the deconsolidation of Shredding and by 0.3% due to foreign currency exchange rate fluctuations. Acquisitions positively impacted the growth rate by 0.6%.

Cost of rental uniforms and ancillary products increased 4.6% compared to fiscal 2014. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, mops, shop towels and other ancillary items. The cost of rental uniforms and ancillary products increase compared to fiscal 2014 was due to increased Rental Uniforms and Ancillary Products operating segment sales volume.

Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid, safety and fire protection products), delivery expenses and distribution expenses in the Uniform Direct Sales operating segment, the First Aid, Safety and Fire Protection Services operating segment, and Shredding through April 30, 2014. Cost of other services decreased 16.2% in fiscal 2015 compared to fiscal 2014. The decrease was primarily due to the deconsolidation of Shredding partially offset by increases resulting from higher First Aid, Safety and Fire Protection Services operating segment sales volume.

Selling and administrative expenses decreased $39.9 million, or 3.2%, compared to fiscal 2014 due primarily to the deconsolidation of Shredding partially offset by increases resulting from higher Rental Uniforms and Ancillary Products and First Aid, Safety and Fire Protection Services operating segment sales volume.

Cintas realized a gain on the Shredding Transaction of $5.0 million in fiscal 2015 primarily as a result of receiving certain additional proceeds. Also during fiscal 2015, Cintas sold stock in an equity method investment. In conjunction with the sale of the equity method investment, the Company received a cash dividend. The sale resulted in the recording of a gain of $21.7 million in fiscal 2015.

Net interest expense (interest expense less interest income) was $64.8 million in fiscal 2015 compared to $65.6 million in fiscal 2014. The decrease in net interest expense is primarily due to the capitalization of $0.6 million of interest in fiscal year 2015 versus no capitalization of interest in fiscal 2014.
Income before income taxes was $658.3 million, an increase of $53.2 million, or 8.8%, compared to fiscal 2014. Income before income taxes was positively impacted by a $5.0 million gain on the Shredding Transaction as a result of receiving certain additional proceeds and by a $21.7 million gain from the sale of the equity method investment. The remaining $26.5 million increase in income before income taxes was due primarily to revenue growing at a faster rate than expenses.
Cintas' effective tax rate on continuing operations was 37.2% for fiscal 2015 compared to 38.3% in fiscal 2014. Excluding the impact of the Shredding Transaction, the effective tax rate for fiscal 2014 would have been 37.2%. See Note 8 entitled Income Taxes of "Notes to Consolidated Financial Statements" for more information.
During fiscal 2015, Cintas recorded a net loss on the investment in the Shred-it Partnership of $5.5 million. This loss was net of a tax benefit of $3.3 million. The Shred-it Partnership results in the period were adversely affected by integration costs and foreign currency exchange rate fluctuations due to the weakened Canadian dollar.
Net income from continuing operations for fiscal 2015 of $408.1 million was a 9.0% increase compared to fiscal 2014. Diluted earnings per share from continuing operations of $3.44 was a 12.8% increase compared to fiscal 2014. Diluted earnings per share from continuing operations increased due to an increase in earnings from continuing operations combined with a decrease in weighted average common shares outstanding. The decrease in weighted average common shares outstanding resulted from purchasing 10.3 million shares of common stock under the October 18, 2011, July 30, 2013 and January 13, 2015 share buyback programs during fiscal 2015 and the fourth quarter of fiscal 2014.
Rental Uniforms and Ancillary Products Operating Segment
Rental Uniforms and Ancillary Products operating segment revenue increased $231.0 million, or 7.2%, and the cost of rental uniforms and ancillary products increased $84.0 million, or 4.6%. The operating segment's fiscal 2015 gross margin was 44.6% of revenue compared to 43.3% in fiscal 2014. The 130 basis point improvement was driven by many factors, including new business sold by sales representatives, penetration of additional products and services into existing customers, and continuously improving the efficiency of internal processes. In addition, lower energy-related expenses increased gross margin 40 basis points.
Selling and administrative expenses for the Rental Uniforms and Ancillary Products operating segment increased $61.0 million in fiscal 2015 compared to fiscal 2014 primarily due to increases in labor and other employee-partner related expenses. Selling and administrative expense as a percent of revenue for fiscal 2015 was 27.5% for both fiscal 2015 and 2014.
Income before income taxes increased $86.0 million to $593.0 million for fiscal 2015 compared to fiscal 2014. Income before income taxes as a percent of revenue, at 17.2%, increased 150 basis points from 15.7% in fiscal 2014. This increase is primarily due to the increase in gross margin discussed above.
Uniform Direct Sales Operating Segment
Uniform Direct Sales operating segment revenue decreased $1.8 million in fiscal 2015, a 0.4% decrease compared to fiscal 2014. Revenue increased organically by 0.2% due to slightly increased sales volume. Revenue growth was negatively impacted by 0.6% due to foreign currency exchange rate fluctuations.
Cost of uniform direct sales decreased $1.3 million, or 0.4%, compared to fiscal 2014. The gross margin as a percent of revenue was 28.5% for both fiscal 2015 and 2014.
Selling and administrative expenses increased $2.0 million, or 2.4%, in fiscal 2015 compared to fiscal 2014 due in large part to foreign currency exchange rate fluctuations. Selling and administrative expenses as a percent of revenue, at 18.8%, increased 50 basis points compared to fiscal 2014, mainly due to lower operating segment revenue and foreign currency exchange rate fluctuations.
Income before income taxes was $44.1 million in fiscal 2015, a decrease of $2.6 million, or 5.5%, compared to fiscal 2014. Income before income taxes as a percent of revenue, at 9.7%, decreased from 10.3% in fiscal 2014. This decrease was due to the reasons discussed above.

First Aid, Safety and Fire Protection Services Operating Segment

First Aid, Safety and Fire Protection Services operating segment revenue increased $53.8 million in fiscal 2015, a 10.5% increase compared to fiscal 2014. Revenue increased organically by 9.2% as a result of increased sales volume. Acquisitions resulted in revenue growth of 1.3%.

Cost of First Aid, Safety and Fire Protection Services increased $28.7 million, or 9.9%, in fiscal 2015, due primarily to increased First Aid, Safety and Fire Protection Services operating segment volume. Gross margin for the First Aid, Safety and Fire Protection Services operating segment is defined as revenue less cost of goods, warehouse expenses, service expenses and training expenses. The gross margin as a percent of revenue was 44.1% for fiscal 2015 compared to 43.8% in fiscal 2014. Energy-related expenses decreased 40 basis points from fiscal 2014 and were the primary driver of gross margin improvement in fiscal 2015.

Selling and administrative expenses increased by $14.9 million, or 8.4%, in fiscal 2015 compared to fiscal 2014 primarily due to an increase in labor and other employee-partner related expenses. Selling and administrative expenses as a percent of revenue, at 33.6%, decreased from 34.3% in fiscal 2014, as revenue growth outpaced the increase in expenses.

Income before income taxes was $59.2 million in fiscal 2015, an increase of $10.3 million, or 21.0%, compared to fiscal 2014. Income before income taxes as a percent of revenue, at 10.4%, increased from 9.5% in fiscal 2014, due to the reasons discussed above.

Fiscal 2014 Compared to Fiscal 2013

Fiscal 2014 total revenue was $4.5 billion, an increase of 5.3% compared to fiscal 2013. The increase primarily resulted from an organic growth increase of 6.2%. Organic growth excludes the impact of acquisitions, disposals, deconsolidations, foreign currency exchange rate fluctuations and adjusts for the appropriate number of workdays. Revenue in fiscal 2014 was negatively impacted by 0.4% due to one less workday compared to fiscal 2013 and negatively by 0.4% due to foreign currency exchange rate fluctuations. The Shredding Transaction had a negative impact of 0.4% which was offset by the positive impact of 0.3% from acquisitions.

Organic growth by quarter is shown in the table below.

	Organic Growth	
First Quarter Ending August 31, 2013	7.2	%
Second Quarter Ending November 30, 2013	7.4	%
Third Quarter Ending February 28, 2014	3.6	%
Fourth Quarter Ending May 31, 2014	6.4	%
For the Fiscal Year Ending May 31, 2014	6.2	%

Rental Uniforms and Ancillary Products operating segment revenue consists predominantly of revenue derived from the rental of corporate identity uniforms and other garments, including flame resistant clothing, and the rental and/or sale of mats, mops, shop towels, restroom supplies and other rental services. Revenue from the Rental Uniforms and Ancillary Products operating segment increased 5.9% compared to fiscal 2013. The increase resulted from an organic growth increase in revenue of 6.7%. The amount of new business grew, resulting from an increase in the number and productivity of sales representatives. Generally, sales productivity improvements are the result of increased tenure and improved training, which result in a higher number of products and services sold. Revenue in fiscal 2014 was negatively impacted by 0.4% due to one less workday and negatively by 0.4% due to foreign currency exchange rate fluctuations.

Other Services revenue, consisting of revenue from the reportable operating segments of Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Shredding (through April 30, 2014), increased 3.7% compared to fiscal 2013. The increase primarily resulted from an organic growth increase of 4.7%, which was due largely to improved sales representative productivity. Revenue in fiscal 2014 was negatively impacted by 0.4% due to the deconsolidation of Shredding, negatively by 0.4% due to one less workday and negatively by 0.2% due to foreign currency exchange rate fluctuations.

19

Cost of rental uniforms and ancillary products increased 4.2% compared to fiscal 2013. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, mops, shop towels and other ancillary items. The increase in the cost of rental uniforms and ancillary products compared to fiscal 2013 was due to increased Rental Uniforms and Ancillary Products operating segment sales volume.

Cost of other services increased 4.1% compared to fiscal 2013. Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses in the Uniform Direct Sales operating segment and the First Aid, Safety and Fire Protection Services operating segment and Shredding (through April 30, 2014). The increase from fiscal 2013 was primarily due to increased Other Services sales volume.

Selling and administrative expenses increased $77.5 million, or 6.5%, compared to fiscal 2013 due primarily to increases in labor and other employee-partner related expenses.

As a result of the Shredding Transaction, the Company recorded in fiscal 2014 an asset impairment charge of $16.1 million and other transaction costs of $28.5 million. The impairment charge was related to the abandonment of information systems assets that were not contributed to the Shred-it Partnership and cannot be used by the Company for other purposes. The other transaction costs consisted of the following: $4.7 million of professional and legal fees; $0.7 million of employee termination benefit costs; $12.4 million of stock compensation expense resulting from the immediate vesting of Cintas stock options and awards of employees contributed to the Shred-it Partnership; a $4.2 million charge for information systems contracts for which no future economic benefit exists; and $6.5 million of incremental profit sharing and employee compensation resulting from the gain, net of the impairment charge and other transaction costs.

Operating income of $564.2 million in fiscal 2014 decreased $1.8 million, or 0.3%, compared to fiscal 2013. Fiscal 2014 operating income was negatively impacted by $44.6 million due to the asset impairment charge and other transaction costs previously described.

In the fourth quarter of fiscal 2014, the Company realized a $106.4 million gain on the Shredding Transaction. The gain was computed as follows: the fair value of consideration received of $180.0 million plus the fair value of Cintas' retained non-controlling interest in the Shred-it Partnership of $339.4 million less the carrying amount of Shredding of $413.0 million.

Net interest expense (interest expense less interest income) of $65.6 million in fiscal 2014 was comparable to fiscal 2013.

Income before income taxes was $605.0 million, an increase of $104.4 million, or 20.8%, compared to fiscal 2013. Income before income taxes was positively impacted by $61.8 million due to the Shredding Transaction. The remaining $42.6 million of increased income before income taxes was due to revenue growing at a faster rate than expenses.

The impact of the Shredding Transaction increased Cintas' effective tax rate in fiscal 2014 from 37.2% to 38.3% compared to an effective tax rate of 36.8% in fiscal 2013. See Note 8 entitled Income Taxes of "Notes to Consolidated Financial Statements" for more information on income taxes.

During fiscal 2014, Cintas recorded a net gain on the investment in the Shred-it Partnership of $1.2 million. This gain was net of taxes of $0.8 million.

Net income from continuing operations for fiscal 2014 of $374.3 million was an 18.2% increase compared to fiscal 2013. Diluted earnings per share from continuing operations of $3.05 was a 20.6% increase compared to fiscal 2013. The increase in diluted earnings per share is higher than the increase in net income due to a decrease in weighted average common stock outstanding as a result of Cintas purchasing 7.3 million shares of common stock under the October 18, 2011 and July 30, 2013 share buyback programs during fiscal 2014 and the fourth quarter of fiscal 2013.

Rental Uniforms and Ancillary Products Operating Segment

Rental Uniforms and Ancillary Products operating segment revenue increased $179.3 million, or 5.9%, and the cost of rental uniforms and ancillary products increased $73.1 million, or 4.2%. Revenue in fiscal 2014 was negatively impacted by 0.4% due to one less workday and by 0.4% due to foreign currency exchange rate changes compared to fiscal 2013. The operating segment's fiscal 2014 gross margin was 43.3% of revenue compared to 42.3% in fiscal

2013. The increase in gross margin as a percent of revenue over fiscal 2013 was due to route efficiencies and increased revenue covering fixed costs including our plant infrastructure.

Selling and administrative expenses for the Rental Uniforms and Ancillary Products operating segment increased $52.2 million in fiscal 2014 compared to fiscal 2013 primarily due to increases in labor and other employee-partner related expenses. Selling and administrative expense as a percent of revenue for fiscal 2014 was 27.5% compared to 27.4% in fiscal 2013. The fiscal 2013 percentage was positively impacted by approximately 20 basis points from a gain on sale of stock of an equity method investment.

Income before income taxes increased $54.0 million to $507.1 million for fiscal 2014 compared to fiscal 2013. Income before income taxes as a percent of revenue, at 15.7%, increased 80 basis points from 14.9% in fiscal 2013. This increase is primarily due to the increase in gross margin.

Uniform Direct Sales Operating Segment

Uniform Direct Sales operating segment revenue decreased $5.8 million, or 1.3%, compared to fiscal 2013. Revenue in fiscal 2014 decreased organically by 0.5%. Revenue in fiscal 2014 was negatively impacted by 0.4% due to one less workday and by 0.4% due to foreign currency exchange rate changes compared to fiscal 2013. In fiscal 2013, the Company had some very large national account program sales that by their nature did not repeat in fiscal 2014. The fiscal 2013 activity included the largest customer program roll-out in Cintas history. Cost of uniform direct sales decreased $0.9 million, or 0.3%, compared to fiscal 2013. The gross margin as a percent of revenue was 28.5% for fiscal 2014 compared to 29.3% in fiscal 2013. The fiscal 2013 gross margin benefited significantly from the revenue from our all-time largest customer program roll-out.

Selling and administrative expenses increased $1.6 million, or 1.9%, in fiscal 2014 compared to fiscal 2013 primarily due to increases in labor and other employee-partner related expenses. Selling and administrative expenses as a percent of revenue, at 18.3%, increased from 17.7% in fiscal 2013 mainly due to lower revenue.

Income before income taxes was $46.7 million in fiscal 2014, a decrease of $6.5 million, or 12.3%, compared to fiscal 2013. Income before income taxes as a percent of revenue, at 10.3%, decreased from 11.5% in fiscal 2013. This decrease was primarily due to the decrease in revenue discussed above.

First Aid, Safety and Fire Protection Services Operating Segment

First Aid, Safety and Fire Protection Services operating segment revenue increased $53.8 million in fiscal 2014, a 11.7% increase compared to fiscal 2013. Revenue in fiscal 2014 was negatively impacted by 0.4% due to one less workday compared to fiscal 2013. Revenue increased organically by 9.4% due to improvements in sales representative productivity. Acquisitions resulted in revenue growth of 2.7%.

Cost of first aid, safety and fire protection services increased $27.9 million, or 10.7%, in fiscal 2014, due primarily to increased First Aid, Safety and Fire Protection Services operating segment volume. Gross margin for the First Aid, Safety and Fire Protection Services operating segment is defined as revenue less cost of goods, warehouse expenses, service expenses and training expenses. The gross margin as a percent of revenue was 43.8% for fiscal 2014 compared to 43.3% in fiscal 2013. The margin increased due to an improved mix of higher gross margin revenue.

Selling and administrative expenses increased by $20.1 million, or 12.8%, in fiscal 2014 compared to fiscal 2013 primarily due to an increase in labor and other employee-partner related expenses. Selling and administrative expenses as a percent of revenue, at 34.3%, increased from 33.9% in fiscal 2013. The fiscal 2013 percentage was positively impacted by approximately 20 basis points from a gain on sale of stock of an equity method investment.

Income before income taxes was $49.0 million in fiscal 2014, an increase of $5.9 million, or 13.6%, compared to fiscal 2013. Income before income taxes as a percent of revenue, at 9.5%, increased from 9.4% in fiscal 2013.

Liquidity and Capital Resources

The following is a summary of our cash flows and cash, cash equivalents and marketable securities as of and for the fiscal years ending May 31:

(In thousands)	2015	2014
Net cash provided by operating activities	$580,276	$605,969
Net cash provided by (used in) investing activities	$44,987	$(14,543)
Net cash used in financing activities	$(712,560)	$(429,735)
Cash and cash equivalents at the end of the period	$417,073	$513,288
Marketable securities at the end of the period	$16,081	$—

Cash, cash equivalents, and marketable securities as of May 31, 2015 and 2014 include $109.8 million and $40.2 million, respectively, that is located outside of the United States. We expect to use these amounts to fund our international operations and international expansion activities.

Cash flows provided by operating activities have historically supplied us with a significant source of liquidity. We generally use these cash flows to fund most, if not all, of our operations, expansion activities and dividends on our common stock. We may also use cash flows provided by operating activities, as well as proceeds from long-term debt and short-term borrowings, to fund growth and expansion opportunities, as well as other cash requirements such as the repurchase of our common stock.

Net cash provided by operating activities was $580.3 million for fiscal 2015, which was a decrease of $25.7 million compared to fiscal 2014. Although net income increased, cash flow was negatively impacted by changes in working capital resulting from the timing of vendor and other payments compared to prior year.

Net cash of $45.0 million was provided by investing activities in fiscal 2015 compared to net cash of $14.5 million used in investing activities in fiscal 2014. Capital expenditures were $217.7 million and $145.6 million for fiscal 2015 and fiscal 2014, respectively. Capital expenditures for fiscal 2015 included $183.5 million for the Rental Uniforms and Ancillary Products operating segment and $23.9 million for the First Aid, Safety and Fire Protection Services operating segment. Cash paid for acquisitions of businesses was $15.5 million and $33.4 million for fiscal 2015 and fiscal 2014, respectively. The acquisitions in fiscal 2015 occurred in our First Aid, Safety and Fire Protection Services and Rental Uniforms and Ancillary Products operating segments. Acquisitions in fiscal 2014 occurred in our First Aid, Safety and Fire Protection Services operating segment and the former Document Management Services operating segment. In fiscal 2015, net cash provided by investing activities include $35.2 million cash received from the sale of stock of an equity method investment plus receipt of dividends on the same investment. The Company sold Storage during fiscal 2015, receiving proceeds, net of cash contributed, of $158.4 million. Also, during fiscal 2015, net cash provided by investing activities include a dividend received from the Shred-it Partnership of $113.4 million. In fiscal 2014, Cintas completed the Shredding Transaction. In addition to its 42% ownership of the Shred-it Partnership, Cintas received $180.0 million in cash at the closing of the transaction. Net cash provided by (used in) investing activities for fiscal 2015 and 2014 include net purchases of marketable securities and investments of $33.5 million and $9.7 million, respectively.

Net cash used in financing activities was $712.6 million and $429.7 million for fiscal 2015 and 2014, respectively. On October 18, 2011, we announced that the Board of Directors authorized a $500.0 million share buyback program. During fiscal 2014, under the October 18, 2011 share buyback program, Cintas purchased a total of 3.3 million shares of Cintas common stock at an average price of $48.87 per share for a total purchase price of $162.5 million. These purchases completed the October 18, 2011 share buyback program. For the fiscal year ended May 31, 2014, Cintas acquired 0.2 million shares of Cintas common stock in satisfaction of employee payroll taxes due on restricted stock awards that vested during the fiscal year. These shares were acquired at an average price of $50.45 per share for a total purchase price of $8.6 million. On July 30, 2013, Cintas announced that the Board of Directors approved a new $500.0 million share buyback program. From April 2014 through February 28, 2015, Cintas purchased a total of 7.3 million shares of Cintas common stock at an average price of $68.29 per share for a total purchase price of $500.0

million. These purchases completed the July 30, 2013 share buyback program. On January 13, 2015, Cintas announced that the Board of Directors authorized a new $500.0 million share buyback program, which does not have an expiration date. From the inception of the January 13, 2015 share buyback program, through May 31, 2015, Cintas has purchased a total of 2.9 million shares of Cintas common stock at an average price of $82.60 per share for a total purchase price of $237.1 million. Under the January 13, 2015 program, through July 30, 2015, Cintas has purchased a total of 4.4

million shares of Cintas common stock at an average price of $83.82 per share for a total purchase price of $370.0 million. For the fiscal year ended May 31, 2015, Cintas acquired 0.2 million shares of Cintas common stock in satisfaction of employee payroll taxes due on restricted stock awards that vested during the fiscal year. These shares were acquired at an average price of $64.58 per share for a total purchase price of $14.4 million.
On October 21, 2014, Cintas declared an annual cash dividend of $0.85 per share on outstanding common stock, a 10.4% increase over the dividend paid in the prior year. In addition, due to the receipt of $180.0 million at the closing of the Shredding Transaction, Cintas declared an additional $0.85 per share special dividend. The total dividend of $1.70 per share was paid on December 5, 2014, to shareholders of record as of November 7, 2014. This marked the 32nd consecutive year that Cintas has increased its annual dividend, every year since going public in 1983.
As of May 31, 2015, we had $1,300.0 million aggregate principal amount in fixed rate senior notes outstanding with maturities ranging from 2016 to 2036. These senior notes are comprised of $250 million of 30-year senior notes issued in fiscal 2007 at a rate of 6.15%, $300 million of 10-year senior notes issued in fiscal 2008 at a rate of 6.125%, $250 million of 5-year senior notes issued in fiscal 2011 at a rate of 2.85%, $250 million of 10-year senior notes issued in 2011 at a rate of 4.30% and $250 million of 10-year senior notes issued in fiscal 2012 at a rate of 3.25%.
Cintas' commercial paper program has a capacity of $300.0 million that is fully supported by a backup revolving credit facility through a credit agreement with its banking group. This revolving credit facility has an accordion feature that allows for a maximum borrowing capacity of $450.0 million. The revolving credit facility was amended on May 29, 2014 to extend that maturity date from October 6, 2016 to May 28, 2019, to adjust the applicable margin used to calculate the interest payable on any outstanding loans, and to adjust the facility fee payable under the agreement. We believe that this program, along with cash generated from operations, will be adequate to provide necessary funding for our future cash requirements. No commercial paper or borrowings on our revolving credit facility were outstanding at May 31, 2015 or 2014.
Cintas has certain covenants related to debt agreements. These covenants limit our 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 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. As of May 31, 2015, Cintas was in compliance with all debt covenants.
Our access to the commercial paper and long-term debt markets has historically provided us with sources of liquidity. We do not anticipate having difficulty in obtaining financing from those markets in the future in view of our favorable experiences in the debt markets in the recent past. Our ability to continue to access the commercial paper and long-term debt markets on favorable interest rate and other terms will depend, to a significant degree, on the ratings assigned by the credit rating agencies to our indebtedness. As of May 31, 2015, our ratings were as follows:

Rating Agency	Outlook	Commercial Paper	Long-term Debt
Standard & Poor's	Positive	A-2	BBB+
Moody's Investors Service	Stable	P-1	A2

On June 26, 2015, Standard & Poor's rating agency raised its long-term credit rating for Cintas to A-/Stable.
In the event that the ratings of our commercial paper or our outstanding long-term debt issues were substantially lowered or withdrawn for any reason, or if the ratings assigned to any new issue of long-term debt securities were significantly lower than those noted above, particularly if we no longer had investment grade ratings, our ability to access the debt markets may be adversely affected. In addition, in such a case, our cost of funds for new issues of commercial paper and long-term debt would be higher than our cost of funds would have been had the ratings of those new issues been at or above the level of the ratings noted above. The rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. Moreover, each credit rating is specific to the security to which it applies.

To monitor our credit rating and our capacity for long-term financing, we consider various qualitative and quantitative factors. One such factor is the ratio of our total debt to EBITDA. For the purpose of this calculation, debt is defined as the sum of short-term borrowings, long-term debt due within one year, obligations under capital leases due in one year, long-term debt and long-term obligations under capital leases.

Long-Term Contractual Obligations

(In thousands)	Payments Due by Period Total	One year or less	Two to three years	Four to five years	After five years
Long-term debt (1)	$1,300,000	$—	$550,000	$—	$750,000
Operating leases (2)	98,655	26,962	38,088	18,731	14,874
Interest payments (3)	524,636	64,104	102,179	73,080	285,273
Unconditional purchase obligations	—	—	—	—	—
Total long-term contractual cash obligations	$1,923,291	$91,066	$690,267	$91,811	$1,050,147

Cintas also makes payments to defined contribution plans. The amount of contributions made to the defined contribution plans are at the discretion of the Board of Directors of Cintas. Future contributions are expected to be $41.9 million in the next year, $90.3 million in the next two to three years, and $99.5 million in the next four to five years.

(1) Long-term debt primarily consists of $1,300.0 million in senior notes (reference Note 6 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements" for a detailed discussion of long-term debt).

(2) Operating leases consist primarily of operational facility leases.

(3) Interest payments could include interest on both fixed and variable rate debt. As of May 31, 2015, Cintas did not have commercial paper outstanding, and therefore did not have any variable rate debt.

Other Commitments

(In thousands)	Amount of Commitment Expiration per Period Total	One year or less	Two to three years	Four to five years	After five Years
Lines of credit (1)	$299,899	$—	$—	$299,899	$—
Standby letters of credit (2)	82,665	82,665	—	—	—
Total other commitments	$382,564	$82,665	$—	$299,899	$—

(1) Back-up facility for the commercial paper program (reference Note 6 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements" for further discussion).

(2) Support certain outstanding debt (reference Note 6 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements"), self-insured workers' compensation and general liability insurance programs.

Inflation and Changing Prices

Changes in wages, benefits and energy costs have the potential to materially impact Cintas' consolidated financial results. Management believes inflation has not had a material impact on Cintas' consolidated financial condition or a negative impact on consolidated results of operations.

Litigation and Other Contingencies

Cintas is subject to legal proceedings and claims arising from the ordinary course of its business, including personal injury, customer contract, environmental and employment claims. In the opinion of management, the aggregate liability, if any, with respect to such ordinary course of business actions will not have a material adverse effect on the consolidated financial position or consolidated results of operations of Cintas. Cintas is party to additional litigation not considered in the ordinary course of business. Please refer to "Part I, Item 3. Legal Proceedings" and Note 13 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements" for a detailed discussion of certain specific litigation.

New Accounting Standards

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU 2013-02 requires an entity to present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For reclassification items not required under GAAP to be reclassified directly to net income in their entirety in the same reporting period, an entity is required to cross-reference to other disclosures currently required under GAAP that provide additional detail about those amounts. The Company adopted ASU 2013-02 effective June 1, 2013. See Note 14 entitled Accumulated Other Comprehensive Income (Loss) of "Notes to Consolidated Financial Statements" for details of the required disclosure.

In May 2014, the FASB issued 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. This guidance will be effective for reporting periods beginning after December 15, 2017 and will be required to be applied retrospectively. Early application of the amendments in this update is not permitted. Cintas is currently evaluating the impact that ASU 2014-09 will have on its consolidated financial statements.

No other new accounting pronouncement recently issued or newly effective had or is expected to have a material impact on the Consolidated Financial Statements.

Critical Accounting Policies and Estimates

The preparation of Cintas' consolidated financial statements in conformity with GAAP requires management to make estimates and judgments that have a significant effect on the amounts reported in the consolidated financial statements and accompanying notes. These critical accounting policies should be read in conjunction with Note 1 entitled Significant Accounting Policies of "Notes to Consolidated Financial Statements." Significant changes, estimates or assumptions related to any of the following critical accounting policies could possibly have a material impact on the consolidated financial statements.

Revenue recognition

Rental revenue, which is recorded in the Rental Uniforms and Ancillary Products operating segment, is recognized when services are performed. Other services revenue, which is recorded in the Uniform Direct Sales operating segment, First Aid, Safety and Fire Protection Services operating segment, Shredding until April 30, 2014 and the Storage business that is reported as discontinued operations, is recognized when either services are performed or when products are shipped and the title and risks of ownership pass to the customer.

Allowance for doubtful accounts

Cintas establishes an allowance for doubtful accounts. This allowance includes an estimate based on historical rates of collections and allowances for specific accounts identified as uncollectible. The allowance that is an estimate based on the Company's historical rates of collections is recorded for overdue amounts, beginning with a nominal percentage and increasing substantially as the account ages. The amount provided as the account ages will differ slightly between the Rental Uniforms and Ancillary Products operating segment and the other operating segments because of differences in customers served and the nature of each operating segment.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Cintas applies a commonly accepted practice of using inventory turns to apply variances between actual and standard costs to the inventory balances. The judgments and estimates used to calculate inventory turns will have an impact on the valuation of inventories at the lower of cost or market. An inventory obsolescence reserve is determined by specific identification, as well as an estimate based on the Company's historical rates of obsolescence.

Uniforms and other rental items in service

Uniforms and other rental items in service are valued at cost less amortization, calculated using the straight-line method. Uniforms in service (other than cleanroom and flame resistant clothing) are amortized over their useful life of 18 months. Other rental items, including shop towels, mats, mops, cleanroom garments, flame resistant clothing, linens and restroom dispensers, are amortized over their useful lives, which range from 8 to 60 months. The amortization rates used are based on industry experience, Cintas' specific experience and wear tests performed by Cintas. These factors are critical to determining the amount of in service inventory that is presented in the consolidated financial statements.

Property and equipment

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets based on industry and Company specific experience, which is typically 30 to 40 years for buildings, 5 to 20 years for building improvements, 3 to 10 years for equipment and 2 to 15 years for leasehold improvements. When events or circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the estimated undiscounted future cash flows are compared to the carrying amount of the assets. If the estimated undiscounted future cash flows are less than the carrying amount of the assets, an impairment loss is recorded based on the excess of the carrying amount of the assets over their respective fair values. Fair value is generally determined by discounted cash flows or based on prices of similar assets, as appropriate.

Investments

Investments consists primarily of cash surrender value of life insurance policies and equity method investments. In general, equity method investments are initially measured at cost. However, an equity method investment resulting from a transaction in which a controlled group of assets that constitutes a business is deconsolidated is initially measured at fair value. Cintas recognizes its share of the investee’s earnings or losses in income. Cintas also adjusts its share of the investee's earnings for intra-entity transactions, basis differences, investee capital transactions and other comprehensive income. Equity method investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable.

Goodwill

Goodwill, obtained through acquisitions of businesses, is valued at cost less any impairment. Cintas completes an annual impairment test which may include an assessment of qualitative factors including, but not limited to, macroeconomic conditions, industry and market conditions, and entity specific factors such as strategies and financial performance. We test for goodwill impairment at the reporting unit level, which for the Company is at the operating segment level. We determined that our reporting units are our Rental Uniforms and Ancillary Products, Uniform Direct Sales, and First Aid, Safety and Fire Protection Services operating segments. The test may also include the determination of the estimated fair value of Cintas reporting units via comparisons to current market values, where available, and discounted cash flow analyses. Significant assumptions may include growth rates based on historical trends and margin improvement leveraged from such growth, as well as discount rates. Based on the results of the annual impairment tests, Cintas was not required to recognize an impairment of goodwill for the fiscal years ended May 31, 2015, 2014 or 2013. Cintas will continue to perform impairment tests as of March 1 in future years or when indicators of impairment exist.

Service contracts and other assets

Service contracts and other assets, which consist primarily of noncompete and consulting agreements obtained through acquisitions of businesses, are amortized by use of the straight-line method over the estimated lives of the agreements, which are generally 5 to 10 years. Certain noncompete agreements, as well as all service contracts, require that a valuation be determined using a discounted cash flow model. The assumptions and judgments used in these models involve estimates of cash flows and discount rates, among other factors. Because of the assumptions used to value these intangible assets, actual results over time could vary from original estimates. Impairment of service contracts and other assets is accomplished through specific identification. No impairment has been recognized by Cintas for the fiscal years ended May 31, 2015, 2014 or 2013.

General insurance liabilities

General insurance liabilities represent the estimated ultimate cost of all asserted and unasserted claims incurred, primarily related to worker's compensation, auto liability and other general liability exposure through the consolidated balance sheet dates. Our reserves are estimated through actuarial procedures of the insurance industry and by using industry assumptions, adjusted for specific expectations based on our claims history. Cintas records an increase or decrease in selling and administrative expenses related to development of prior claims, higher claims activity and other environmental factors in the period in which it becomes known. These changes in estimates may be material to the consolidated financial statements.

Stock-based compensation

Compensation expense is recognized for all share-based payments to employees, including stock options and restricted stock awards, in the consolidated statements of income based on the fair value of the awards that are granted. The fair value of stock options is estimated at the date of grant using the Black-Scholes option-pricing model. Measured compensation cost, net of estimated forfeitures, is recognized on a straight-line basis over the vesting period of the related share-based compensation award. See Note 12 entitled Stock-Based Compensation of "Notes to Consolidated Financial Statements" for further information.

Litigation and environmental matters

Cintas is subject to legal proceedings and claims related to environmental matters arising from the ordinary course of business. GAAP requires that a liability for contingencies be recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. While a significant change in assumptions and judgments could have a material impact on the amounts recorded for contingent liabilities, Cintas does not believe that they will result in a material adverse effect on the consolidated financial statements.

A detailed discussion of litigation matters is discussed in Note 13 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements."

Income taxes

Deferred tax assets and liabilities are determined by the differences between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities. See Note 8 entitled Income Taxes of "Notes to Consolidated Financial Statements" for the types of items that give rise to significant deferred income tax assets and liabilities. Deferred income taxes are classified as assets or liabilities based on the classification of the related asset or liability for financial reporting purposes. Deferred income taxes that are not related to an asset or liability for financial reporting are classified according to the expected reversal date. Cintas regularly reviews deferred tax assets for recoverability based upon projected future taxable income and the expected timing of the reversals of existing temporary differences. Although realization is not assured, management believes it is more likely than not that the recorded deferred tax assets, as adjusted for valuation allowances, will be realized.

Accounting for uncertain tax positions requires the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Companies may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

Cintas is periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, Cintas records reserves as deemed appropriate. Based on Cintas' evaluation of current tax positions, Cintas believes its tax related accruals are appropriate.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Earnings are affected by changes in short-term interest rates due to investments in marketable securities and money market accounts and periodic issuances of commercial paper. If short-term rates changed by one-half percent (or 50 basis points), Cintas' income before income taxes would change by approximately $0.3 million. This estimated exposure considers the effects on investments. This analysis does not consider the effects of a change in economic activity or a change in Cintas' capital structure.

Through its foreign operations, Cintas is exposed to foreign currency risk. Foreign currency exposures arise from transactions denominated in a currency other than the functional currency and from foreign denominated revenue and profit translated into U.S. dollars. Foreign denominated revenue and profit represents less than 10% of Cintas' consolidated revenue and profit. Cintas periodically uses foreign currency hedges such as average rate options and forward contracts to mitigate the risk of foreign currency exchange rate movements resulting from foreign currency revenue and from international cash flows. The primary foreign currency to which Cintas is exposed is the Canadian dollar.

27

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements
Audited Consolidated Financial Statements for the Fiscal Years Ended May 31, 2015, 2014 and 2013

Management's Report on
Internal Control over Financial Reporting

To the Shareholders of Cintas Corporation:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective system of internal control over financial reporting will provide only reasonable assurance with respect to financial statement preparation.

With the supervision of our Chief Executive Officer and our Chief Financial Officer, management assessed our internal control over financial reporting as of May 31, 2015. Management based its assessment on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed by our internal audit function.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of May 31, 2015, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States.

We reviewed the results of management's assessment with the Audit Committee of our Board of Directors. Additionally, our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of Cintas Corporation's internal control over financial reporting. Ernst & Young LLP has issued an attestation report, which is included in this Annual Report on Form 10-K.

Scott D. Farmer
Chief Executive Officer

J. Michael Hansen
Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Cintas Corporation

We have audited Cintas Corporation’s internal control over financial reporting as of May 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Cintas Corporation’s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Cintas Corporation maintained, in all material respects, effective internal control over financial reporting as of May 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cintas Corporation as of May 31, 2015 and 2014 and the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for each of the three years in the period ended May 31, 2015 and our report dated July 30, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cincinnati, Ohio
July 30, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Cintas Corporation

We have audited the accompanying consolidated balance sheets of Cintas Corporation as of May 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended May 31, 2015. Our audits also included the consolidated financial statement schedule listed in the Index at Item 15(a)(2). These consolidated financial statements and schedule are the responsibility of Cintas Corporation’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cintas Corporation at May 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cintas Corporation’s internal control over financial reporting as of May 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated July 30, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cincinnati, Ohio
July 30, 2015

Consolidated
Statements of Income

(In thousands except per share data)	Fiscal Years Ended May 31, 2015	2014	2013
Revenue:			
Rental uniforms and ancillary products	$3,454,956	$3,223,930	$3,044,587
Other services	1,021,930	1,245,635	1,201,377
	4,476,886	4,469,565	4,245,964
Costs and expenses:			
Cost of rental uniforms and ancillary products	1,913,466	1,829,427	1,756,297
Cost of other services	642,083	766,484	736,358
Selling and administrative expenses	1,224,930	1,264,836	1,187,331
Shredding Transaction asset impairment charge	—	16,143	—
Shredding Transaction costs	—	28,481	—
Operating income	696,407	564,194	565,978
Gain on deconsolidation of Shredding	4,952	106,441	—
Gain on sale of stock of an equity method investment	21,739	—	—
Interest income	(339)	(229)	(409)
Interest expense	65,161	65,822	65,712
Income before income taxes	658,276	605,042	500,675
Income taxes	244,660	231,991	184,089
(Loss) gain on investment in Shred-it Partnership, net of tax benefit of $3,264 and tax of $766, respectively	(5,539)	1,234	—
Income from continuing operations	408,077	374,285	316,586
Income (loss) from discontinued operations, net of tax of $12,320, $658, and $377, respectively	22,541	157	(1,144)
Net income	$430,618	$374,442	$315,442
Basic earnings (loss) per share			
Continuing operations	$3.49	$3.08	$2.54
Discontinued operations	0.19	0.00	(0.01)
Basic earnings per share	$3.68	$3.08	$2.53
Diluted earnings (loss) per share			
Continuing operations	$3.44	$3.05	$2.53
Discontinued operations	0.19	0.00	(0.01)
Diluted earnings per share	$3.63	$3.05	$2.52
Dividends declared and paid per share	$1.70	$0.77	$0.64

See accompanying notes.

Consolidated Statements of Comprehensive Income

	Fiscal Years Ended May 31,		
(In thousands)	2015	2014	2013
Net income	$430,618	$374,442	$315,442
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(38,538)	(9,787)	(1,087)
Change in fair value of derivatives	37	(228)	(187)
Amortization of interest rate lock agreements	1,952	1,952	1,952
Other	(350)	(1,632)	782
Other comprehensive (loss) income	(36,899)	(9,695)	1,460
Comprehensive income	$393,719	$364,747	$316,902

See accompanying notes.

Consolidated
Balance Sheets

(In thousands except share data)	As of May 31, 2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$417,073	$513,288
Marketable securities	16,081	—
Accounts receivable, principally trade, less allowance of $15,674 and $14,906, respectively	496,130	508,427
Inventories, net	226,211	251,239
Uniforms and other rental items in service	534,005	506,537
Income taxes, current	936	—
Assets held for sale	21,341	—
Prepaid expenses and other current assets	24,030	26,190
Total current assets	1,735,807	1,805,681
Property and equipment, at cost, net	871,421	855,702
Investments	329,692	458,357
Goodwill	1,195,612	1,267,411
Service contracts, net	42,434	55,675
Other assets, net	17,494	19,626
	$4,192,460	$4,462,452
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$109,607	$150,070
Accrued compensation and related liabilities	88,423	85,026
Accrued liabilities	309,935	299,727
Income taxes, current	—	5,960
Deferred tax liability	112,389	88,845
Liabilities held for sale	704	—
Long-term debt due within one year	—	503
Total current liabilities	621,058	630,131
Long-term liabilities:		
Long-term debt due after one year	1,300,000	1,300,477
Deferred income taxes	226,938	246,044
Accrued liabilities	112,009	92,942
Total long-term liabilities	1,638,947	1,639,463
Shareholders' equity:		
Preferred stock, no par value:		
100,000 shares authorized, none outstanding	—	—
Common stock, no par value:		
425,000,000 shares authorized		
2015: 178,117,334 shares issued and 111,702,949 shares outstanding		
2014: 176,378,412 shares issued and 117,037,784 shares outstanding	329,248	251,753

Paid-in capital	157,183	134,939
Retained earnings	4,227,620	3,998,893
Treasury stock:		
2015: 66,414,385 shares		
2014: 59,340,628 shares	(2,773,125)	(2,221,155)
Accumulated other comprehensive (loss) income	(8,471)	28,428
Total shareholders' equity	1,932,455	2,192,858
	$4,192,460	$4,462,452

See accompanying notes.

34

Consolidated
Statements of Shareholders' Equity

(In thousands)	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Other Accumulated Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity
Balance at June 1, 2012	173,746	$148,255	$107,019	$3,482,073	$ 36,663	(47,226)	$(1,634,875)	$2,139,135
Net income	—	—	—	315,442	—	—	—	315,442
Comprehensive income, net of tax	—	—	—	—	1,460	—	—	1,460
Dividends	—	—	—	(79,744)	—	—	—	(79,744)
Stock-based compensation	—	—	23,310	—	—	—	—	23,310
Vesting of stock-based compensation awards	610	23,270	(23,270)	—	—	—	—	—
Stock options exercised, net of shares surrendered	430	14,807	—	—	—	—	—	14,807
Repurchase of common stock	—	—	—	—	—	(5,279)	(215,681)	(215,681)
Other	—	—	2,763	—	—	—	—	2,763
Balance at May 31, 2013	174,786	186,332	109,822	3,717,771	38,123	(52,505)	(1,850,556)	2,201,492
Net income	—	—	—	374,442	—	—	—	374,442
Comprehensive loss, net of tax	—	—	—	—	(9,695)	—	—	(9,695)
Dividends	—	—	—	(93,320)	—	—	—	(93,320)
Stock-based compensation	—	—	44,746	—	—	—	—	44,746
Vesting of stock-based compensation awards	465	23,519	(23,519)	—	—	—	—	—
Stock options exercised, net of shares surrendered	1,127	41,902	—	—	—	—	—	41,902
Repurchase of common stock	—	—	—	—	—	(6,836)	(370,599)	(370,599)
Other	—	—	3,890	—	—	—	—	3,890
Balance at May 31, 2014	176,378	251,753	134,939	3,998,893	28,428	(59,341)	(2,221,155)	2,192,858
Net income	—	—	—	430,618	—	—	—	430,618
Comprehensive loss, net of tax	—	—	—	—	(36,899)	—	—	(36,899)

Dividends	—	—	—	(201,891)	—	—	—	(201,891)
Stock-based compensation	—	—	47,002	—	—	—	—	47,002
Vesting of stock-based compensation awards	575	37,265	(37,265)	—	—	—	—	—
Stock options exercised, net of shares surrendered	1,164	40,230	—	—	—	—	—	40,230
Repurchase of common stock	—	—	—	—	—	(7,073)	(551,970)	(551,970)
Other	—	—	12,507	—	—	—	—	12,507
Balance at May 31, 2015	178,117	$329,248	$157,183	$4,227,620	$(8,471)	(66,414)	$(2,773,125)	$1,932,455

See accompanying notes.

Consolidated
Statements of Cash Flows

(In thousands)	Fiscal Years Ended May 31, 2015	2014	2013
Cash flows from operating activities:			
Net income	$430,618	$374,442	$315,442
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	140,624	168,220	165,664
Amortization of intangible assets	14,458	22,642	23,713
Stock-based compensation	47,002	29,875	23,310
Gain on sale of Storage	(38,573)	—	—
Gain on deconsolidation of Shredding	(4,952)	(106,441)	—
Gain on sale of stock of an equity method investment	(21,739)	—	—
Loss (gain) on investment in Shred-it Partnership	8,803	(2,000)	—
Shredding Transaction asset impairment charge	—	16,143	—
Shredding Transaction costs	—	26,057	—
Deferred income taxes	20,866	47,109	48,023
Change in current assets and liabilities, net of acquisitions of businesses:			
Accounts receivable, net	(1,443)	(56,231)	(42,704)
Inventories, net	23,785	(11,062)	10,997
Uniforms and other rental items in service	(31,994)	(11,435)	(44,179)
Prepaid expenses and other current assets	(3,202)	(2,177)	(3,281)
Accounts payable	(33,445)	30,446	25,023
Accrued compensation and related liabilities	3,234	10,931	(13,161)
Accrued liabilities and other	33,066	54,237	31,873
Income taxes, current	(6,832)	15,213	12,028
Net cash provided by operating activities	580,276	605,969	552,748
Cash flows from investing activities:			
Capital expenditures	(217,720)	(145,580)	(196,486)
Proceeds from redemption of marketable securities	161,938	54,196	161,478
Purchase of marketable securities and investments	(195,471)	(63,858)	(178,464)
Proceeds from Storage Transactions, net of cash contributed	158,428	—	—
Proceeds from Shredding Transaction, net of cash contributed	3,344	179,359	—
Proceeds from sale of stock of an equity method investment	29,933	—	—
Dividends received on equity method investment	5,247	—	—
Dividends received on Shred-it Partnership investment	113,400	—	—
Acquisitions of businesses, net of cash acquired	(15,495)	(33,441)	(69,370)
Other	1,383	(5,219)	(1,339)
Net cash provided by (used in) investing activities	44,987	(14,543)	(284,181)
Cash flows from financing activities:			
Proceeds from issuance of debt	—	—	250,000
Repayment of debt	(518)	(8,187)	(225,636)
Proceeds from exercise of stock-based compensation awards	40,230	41,902	14,807
Dividends paid	(201,891)	(93,320)	(79,744)
Repurchase of common stock	(551,970)	(370,599)	(215,681)

Other	1,589	469	196
Net cash used in financing activities	(712,560)	(429,735)	(256,058)
Effect of exchange rate changes on cash and cash equivalents	(8,918)	(676)	(61)
Net (decrease) increase in cash and cash equivalents	(96,215)	161,015	12,448
Cash and cash equivalents at beginning of year	513,288	352,273	339,825
Cash and cash equivalents at end of year	$417,073	$513,288	$352,273

See accompanying notes.

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

Business description. Cintas Corporation (collectively with its majority-owned subsidiaries and any entities over which it has control, "Cintas") provides highly specialized products and services to businesses of all types primarily throughout North America, as well as Latin America, Europe and Asia. Cintas is North America's leading provider of corporate identity uniforms through rental and sales programs, as well as a significant provider of related business services, including entrance mats, restroom cleaning services and supplies, carpet and tile cleaning services, and first aid, safety and fire protection products and services. Cintas' products and services are designed to enhance its customers' images and to provide additional safety and protection in the workplace.

Effective August 31, 2014, Cintas classifies its businesses into three reportable operating segments ("operating segments") based on the types of products and services provided. The Rental Uniforms and Ancillary Products 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 and carpet and tile cleaning services are also provided within this operating segment. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services.

Previously, Cintas classified its businesses into four operating segments. The Document Management Services operating segment is no longer considered an operating segment for fiscal 2015 and beyond. This operating segment consisted of document destruction services ("Shredding") and document imaging and retention services ("Storage"). On April 30, 2014, Cintas completed its partnership transaction with the shareholders of Shred-it International Inc. ("Shred-it") to combine Cintas' Shredding with Shred-it's shredding business ("the Shredding Transaction"). Due to the deconsolidation of Shredding, fiscal 2015 results exclude the results of Shredding. Shredding remains reported in continuing operations for fiscal 2014 (through April 30, 2014 as previously discussed) and 2013. Based on the change in reportable operating segments, the results of Shredding for the year ended May 31, 2014 are presented in Corporate. Additionally, effective August 31, 2014, Storage is reported as a discontinued operation for all periods presented and has been excluded from continuing operations and from operating segment results for all periods presented. In the quarter ended November 30, 2014, Cintas sold Storage through a series of transactions. ("Storage Transactions"). Please see Note 17 entitled Discontinued Operations for additional information.

As previously mentioned, on April 30, 2014, the Shredding Transaction was completed. Cintas Shredding represented approximately 76%, 80%, and 70% of Cintas' Document Management Services operating segment's assets, revenue, and income before income taxes, respectively, as of and for the quarter ended February 28, 2014. Under the agreement, Cintas and Shred-it each contributed its shredding business to a newly formed partnership owned 42% by Cintas and 58% by the shareholders of Shred-it ("the Shred-it Partnership"). In addition to its 42% ownership of the Shred-it Partnership, Cintas received $180.0 million in cash at the closing of the transaction. Cintas' equity interest in the partnership is accounted for under the equity method of accounting as prescribed by U.S. generally accepted accounting principles ("GAAP").

Principles of consolidation. The consolidated financial statements include the accounts of Cintas controlled majority-owned subsidiaries and any entities over which Cintas has control. Intercompany balances and transactions have been eliminated as appropriate.

Financial Statement Presentation. We have reclassified certain prior-year amounts to conform to the current year’s presentation.

Use of estimates. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition. Rental revenue, which is recorded in the Rental Uniforms and Ancillary Products operating segment, is recognized when services are performed. Other Services revenue, which is recorded in the Uniform Direct Sales operating segment, the First Aid, Safety and Fire Protection Services operating segment, Shredding until April 30, 2014 and the Storage business that is reported as discontinued operations, is recognized when either services are performed or when products are shipped and the title and risks of ownership pass to the customer.

Cost of rental uniforms and ancillary products. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, mops, shop towels and other ancillary items. The Rental Uniforms and Ancillary Products operating segment inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs and other costs of distribution are included in the cost of rental uniforms and ancillary products.

Cost of other services. Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses. Cost of other services includes inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs and other costs of distribution.

Selling and administrative expenses. Selling and administrative expenses consist primarily of sales labor and commissions, management and administrative labor, payroll taxes, medical expense, insurance expense, legal and professional costs and amortization of finite-lived intangible assets.

Cash and cash equivalents. Cintas considers all highly liquid domestic investments with a maturity of three months or less, at date of purchase, to be cash equivalents. At May 31, 2015 and 2014, cash and cash equivalents includes $43.0 million and $33.5 million, respectively, of restricted cash used as collateral associated with the general insurance program.

Marketable securities. Marketable securities are typically comprised of fixed income securities and are classified as available-for-sale.

Accounts receivable. Accounts receivable is comprised of amounts owed through product shipments and services provided and is presented net of an allowance for doubtful accounts. The allowance is an estimate based on historical rates of collections and allowances for specific accounts identified as uncollectible. The allowance that is an estimate based on Cintas' historical rates of collections is recorded for overdue amounts, beginning with a nominal percentage and increasing substantially as the account ages. The amount provided as the account ages will differ slightly between the Rental Uniforms and Ancillary Products operating segment and the two other operating segments because of differences in customers served and the nature of each operating segment. When an account is considered uncollectible, it is written off against the allowance for doubtful accounts.

Inventories. Inventories are valued at the lower of cost (first-in, first-out) or market. Cintas applies a commonly accepted practice of using inventory turns to apply variances between actual and standard costs to the inventory balances. The judgments and estimates used to calculate inventory turns will have an impact on the valuation of inventories at the lower of cost or market. Inventory is comprised of the following amounts:

(In thousands)	2015	2014
Raw materials	$16,935	$17,984
Work in process	17,079	14,304
Finished goods	192,197	218,951
	$226,211	$251,239

Inventories are recorded net of reserves for obsolete inventory of $30.7 million at both May 31, 2015 and 2014. The inventory obsolescence reserve is determined by specific identification, as well as an estimate based on Cintas' historical rates of obsolescence.

Uniforms and other rental items in service. These items are valued at cost less amortization, calculated using the straight-line method. Uniforms in service (other than cleanroom and flame resistant clothing) are amortized over their useful life of 18 months. Other rental items, including shop towels, mats, mops, cleanroom garments, flame resistant clothing, linens and restroom dispensers, are amortized over their useful lives, which range from 8 to 60 months. The amortization rates used are based on industry experience, Cintas' specific experience and wear tests performed by Cintas. These factors are critical to determining the amount of in service inventory and related cost of uniforms and ancillary products that are presented in the consolidated financial statements.

Property and equipment. Property and equipment is stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method primarily over the following estimated useful lives of the assets based on industry and Cintas specific experience, in years:

Buildings	30 to 40
Building improvements	5 to 20

Equipment	3 to 10
Leasehold improvements	2 to 15

38

Investments. Investments consists primarily of equity method investments and the cash surrender value of life insurance policies. The equity method is used to account for an investment if our investment gives us the ability to exercise significant influence over the operating and financial policies of the investee. In general, equity method investments are initially measured at cost. However, an equity method investment resulting from a transaction in which a controlled group of assets that constitutes a business is deconsolidated is initially measured at fair value. Cintas recognizes its share of the investee’s earnings or losses in income. Cintas also adjusts its share of the investee's earnings for intra-entity transactions, basis differences, investee capital transactions and other comprehensive income through income or other comprehensive income as appropriate. Equity method investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable.

Long-lived assets. When events or circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the estimated undiscounted future cash flows are compared to the carrying amount of the assets. If the estimated undiscounted future cash flows are less than the carrying amount of the assets, an impairment loss is recorded based on the excess of the carrying amount of the assets over their respective fair values. Fair value is generally determined by discounted cash flows or based on prices of similar assets, as appropriate.

Goodwill. Goodwill, obtained through acquisitions of businesses, is valued at cost less any impairment. Cintas completes an annual impairment test, which may include an assessment of qualitative factors including, but not limited to, macroeconomic conditions, industry and market conditions, and entity specific factors such as strategies and financial performance. We test for goodwill impairment at the reporting unit level, which for the Company is at the operating segment level. We determined that our reporting units are our Rental Uniforms and Ancillary Products, Uniform Direct Sales, and First Aid, Safety and Fire Protection Services operating segments. The test may also include the determination of the estimated fair value of Cintas' reporting units via comparisons to current market values, where available, and discounted cash flow analyses. Significant assumptions may include growth rates based on historical trends and margin improvement leveraged from such growth, as well as discount rates. In addition to the annual test in fiscal 2014, Cintas was required to perform an impairment test as of April 30, 2014 on the business remaining within the former Document Management Services operating segment as a result of the Shredding Transaction. Based on the results of this test and the annual impairment tests, Cintas was not required to recognize an impairment of goodwill for the fiscal years ended May 31, 2015, 2014 or 2013. Cintas will continue to perform impairment tests as of March 1 in future years and when indicators of impairment exist.

Service contracts and other assets. Service contracts and other assets, which consist primarily of noncompete and consulting agreements obtained through acquisitions of businesses, are amortized by use of the straight-line method over the estimated lives of the agreements, which are generally 5 to 10 years. Certain noncompete agreements, as well as all service contracts, require that a valuation be determined using a discounted cash flow model. The assumptions and judgments used in these models involve estimates of cash flows and discount rates, among other factors. Because of the assumptions used to value these intangible assets, actual results over time could vary from original estimates. Impairment of service contracts and other assets is accomplished through specific identification. No impairment has been recognized by Cintas for the fiscal years ended May 31, 2015, 2014 or 2013.

Accrued liabilities. Current accrued liabilities are recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Current accrued liabilities include the following amounts:

(In thousands)	2015	2014
General insurance liabilities	$113,714	$106,083
Employee benefit related liabilities	68,907	64,445
Taxes and related liabilities	6,064	7,531
Accrued interest	26,628	26,726
Other	94,622	94,942
	$309,935	$299,727

General insurance liabilities represent the estimated ultimate cost of all asserted and unasserted claims incurred, primarily related to worker's compensation, auto liability and other general liability exposure through the consolidated balance sheet dates. Our reserves are estimated through actuarial procedures of the insurance industry and by using industry assumptions, adjusted for specific expectations based on our claims history. Cintas records an increase or decrease in selling and administrative expenses related to development of prior claims, higher claims activity and other

environmental factors in the period in which it becomes known. These changes in estimates may be material to the consolidated financial statements.
Long-term accrued liabilities consists primarily of reserves associated with unrecognized tax benefits, which are described in more detail in Note 8 entitled Income Taxes, and retirement obligations, which are described in more detail in Note 10 entitled Defined Contribution Plans.
Stock-based compensation. Compensation expense is recognized for all share-based payments to employees, including stock options and restricted stock awards, in the consolidated statements of income based on the fair value of the awards that are granted. The fair value of stock options is estimated at the date of grant using the Black-Scholes option-pricing model. Measured compensation cost, net of estimated forfeitures, is recognized on a straight-line basis over the vesting period of the related share-based compensation award.
Derivatives and hedging activities. Cintas formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Derivatives are recorded at fair value on the consolidated balance sheet, and gains and losses are recorded as adjustments to income or other comprehensive income, as appropriate.
Income taxes. Deferred tax assets and liabilities are determined by the differences between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities. See Note 8 entitled Income Taxes of "Notes to Consolidated Financial Statements" for the types of items that give rise to significant deferred income tax assets and liabilities. Deferred income taxes are classified as assets or liabilities based on the classification of the related asset or liability for financial reporting purposes. Deferred income taxes that are not related to an asset or liability for financial reporting are classified according to the expected reversal date. Cintas regularly reviews deferred tax assets for recoverability based upon projected future taxable income and the expected timing of the reversals of existing temporary differences. Although realization is not assured, management believes it is more likely than not that the recorded deferred tax assets, as adjusted for valuation allowances, will be realized.
Cintas is periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, Cintas records reserves as deemed appropriate. Based on Cintas' evaluation of current tax positions, Cintas believes its tax related accruals are appropriate.
Fair Value Measurements. Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. It also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 —	Quoted prices in active markets for identical assets or liabilities.
Level 2 —	Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
Level 3 —	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Cintas' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

In order to meet the requirements of ASC 820, Cintas utilizes two basic valuation approaches to determine the fair value of its assets and liabilities required to be recorded on a recurring basis at fair value. The first approach is the cost approach. The cost approach is generally the value a market participant would expect to replace the respective asset or liability. The second approach is the market approach. The market approach looks at what a market participant would consider valuing an exact or similar asset or liability to that of Cintas, including those traded on exchanges.

Cintas' non-financial assets and liabilities not permitted or required to be measured at fair value on a recurring basis primarily relate to assets and liabilities acquired in a business acquisition unless otherwise noted in Note 2 entitled Fair Value Disclosures. Cintas is required to provide additional disclosures about fair value measurements as part of the consolidated financial statements for each major category of assets and liabilities measured at fair value on a non-recurring basis (including business acquisitions). Based on the nature of Cintas' business acquisitions, which occur regularly throughout the fiscal year, the majority of the assets acquired and liabilities assumed consist of working capital, primarily valued using Level 2 inputs, property and equipment, also primarily valued using Level 2 inputs and goodwill and other identified intangible assets valued using Level 3 inputs. In general, non-recurring fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities, which generally are not applicable to non-financial assets and liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as definitive sales agreements, appraisals or established market values of comparable assets. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability, such as internal estimates of future cash flows and company specific discount rates.

New accounting pronouncements. In February 2013, the FASB issued Accounting Standards Update ("ASU") 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU 2013-02 requires an entity to present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For reclassification items not required under GAAP to be reclassified directly to net income in their entirety in the same reporting period, an entity is required to cross-reference to other disclosures currently required under GAAP that provide additional detail about those amounts. The Company adopted ASU 2013-02 effective June 1, 2013. See Note 14 entitled Accumulated Other Comprehensive Income (Loss) for details of required disclosure.

In May 2014, the FASB) issued 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. This guidance will be effective for reporting periods beginning after December 15, 2017 and will be required to be applied retrospectively. Early application of the amendments in this update is not permitted. Cintas is currently evaluating the impact that ASU 2014-09 will have on its consolidated financial statements.

No other new accounting pronouncement recently issued or newly effective had or is expected to have a material impact on the Consolidated Financial Statements.

2. Fair Value Disclosures

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

	As of May 31, 2015			
(In thousands)	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$417,073	$—	$—	$417,073
Marketable securities:				
Canadian treasury securities	—	16,081	—	16,081
Total assets at fair value	$417,073	$16,081	$—	$433,154

	As of May 31, 2014			
(In thousands)	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$513,288	$—	$—	$513,288
Total assets at fair value	$513,288	$—	$—	$513,288
Current accrued liabilities	$—	$286	$—	$286
Total liabilities at fair value	$—	$286	$—	$286

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.

The types of financial instruments Cintas classifies within Level 2 are primarily Canadian treasury securities (federal). The valuation technique used for Cintas' marketable securities classified within Level 2 of the fair value hierarchy is primarily the market approach. The primary inputs to value Cintas' marketable securities is the respective instrument's future cash flows based on its stated yield and the amount a market participant would pay for a similar instrument. Primarily all of Cintas' marketable securities are actively traded and the recorded fair value reflects current market conditions. However, due to the inherent volatility in the investment market, there is at least a possibility that recorded investment values may change in the near term.

The funds invested in Canadian treasury securities are not presently expected to be repatriated, but instead are expected to be invested indefinitely in foreign subsidiaries. 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. The amortized cost basis of marketable securities as of May 31, 2015 was $16.1 million. There were no outstanding marketable securities as of May 31, 2014. Purchases of marketable securities were $179.2 million, $48.5 million and $167.1 million for the fiscal years ended May 31, 2015, 2014 and 2013, respectively. All outstanding marketable securities as of May 31, 2015 had contractual maturities due within one year.

Foreign currency forward contracts were included in current accrued liabilities as of May 31, 2014. The fair value of Cintas' foreign currency forward contracts are based on similar exchange traded derivatives (market approach) and are, therefore, included within Level 2 of the fair value hierarchy.

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 balance sheet date.

42

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. As a result of the Shredding Transaction, Cintas recorded an asset impairment charge of $16.1 million in fiscal 2014 related to the abandonment of certain information systems assets. These assets were measured at a fair value of $5.4 million as of April 30, 2014 determined as the price that a market participant would be willing to pay for the continued use of the assets over their remaining useful lives. Also as a result of the Shredding Transaction and in accordance with GAAP requirements, Cintas' equity method investment in the Shred-it Partnership was initially measured at fair value. See Note 4 entitled Investments for additional information on the measurement of the investment in the Shred-it Partnership.

3. Property and Equipment

(In thousands)	2015	2014
Land	$116,172	$116,989
Buildings and improvements	501,742	521,113
Equipment	1,446,041	1,427,356
Leasehold improvements	26,023	35,821
Construction in progress	104,300	42,384
	2,194,278	2,143,663
Less: accumulated depreciation	1,322,857	1,287,961
	$871,421	$855,702

Interest expense is net of capitalized interest of $0.6 million for the fiscal year ended May 31, 2015. Interest was not capitalized during the fiscal years ended May 31, 2014 and 2013.

4. Investments

Investments at May 31, 2015 of $329.7 million include the cash surrender value of insurance policies of $101.8 million, equity method investments of $225.7 million, and cost method investments of $2.2 million. Investments at May 31, 2014 of $458.4 million include the cash surrender value of insurance policies of $86.5 million, equity method investments of $371.1 million, and cost method investments of $0.8 million.

Investments are evaluated for impairment on an annual basis or when indicators of impairment exist. For fiscal years 2015, 2014, and 2013, no losses due to impairment were recorded.

On April 30, 2014, Cintas completed the Shredding Transaction to combine Cintas’ Shredding with Shred-it’s shredding business. Under the agreement, Cintas and Shred-it each contributed its shredding business to the newly formed Shred-it Partnership owned 42% by Cintas and 58% by Shred-it. The resulting equity method investment (Level 3) in the Shred-it Partnership was initially recorded at fair value at $339.4 million derived with a primary reliance upon the income approach utilizing various discounted cash flow models. Fair value was determined by an independent valuation specialist. Management ultimately oversees the independent valuation specialist to ensure that the transaction-specific assumptions are appropriate for Cintas. The following table details quantitative information about significant unobservable inputs used in the initial valuation of Cintas' investment in the Shred-it Partnership:

(Dollars in millions)	Fair Value at April 30, 2014	Valuation Technique	Input	Range Low		High	
Equity method investment - Shred-it Partnership	$339.4	Discounted Cash Flow	EBITDA margin	20.0	%	22.0	%
			Ratio of capital expenditures to revenues	4.5	%	5.5	%
			Long-term revenue growth	1.5	%	2.0	%
			WACC rate	9.0	%	9.0	%

The carrying value of the investment in the Shred-it Partnership was $210.1 million and $341.4 million at May 31, 2015 and 2014, respectively. In May 2015, the Company received a dividend on our investment in the Shred-it Partnership of $113.4 million, which reduced the carrying value of the investment. As of May 31, 2015, Cintas’ carrying value of its investment in the Shred-it Partnership exceeded its share of the underlying equity in the net assets of the Shred-it Partnership by approximately $94.0 million (basis difference). The remaining basis difference is being amortized over the weighted average estimated useful lives of the underlying assets which generated the basis difference (approximately 9 years) and is recorded as a reduction in the income (loss) on the investment in the Shred-it Partnership, net of tax. Cintas records its share of the partnership's income on a one month lag. For the fiscal year ended May 31, 2015, Cintas recorded a net loss on the investment in the Shred-it Partnership of $5.5 million, which included amortization of basis differences of approximately $11.0 million. For the fiscal year ended May 31, 2014, Cintas recorded a net gain on the investment in the Shred-it Partnership of $1.2 million.

Cintas provides the following unaudited summary information regarding the Shred-it Partnership's financial position and results of operations as of and for the twelve months ended April 30, 2015:

Summary Balance Sheet Information (in thousands)	As of April 30, 2015	As of April 30, 2014
Assets		
Current assets	$150,792	$108,377
Non-current assets	$968,956	$924,196
Liabilities		
Current liabilities	$73,971	$57,241
Non-current liabilities	$532,673	$