INSTRUCTURE INC
Form 10-Q
May 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017

OR

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

Commission file number: 001-37629

Instructure, Inc.

(Exact name of registrant as specified in its charter)

Delaware	26-3505687
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6330 South 3000 East, Suite 700

Salt Lake City, UT 84121

(Address of principal executive offices, including zip code)

(800) 203-6755

(Registrant's telephone number, including area code)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company		

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

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

As of April 28, 2017, there were 28,917,728 shares of the registrant's common stock outstanding.

Instructure, Inc.

Quarterly Report on Form 10-Q

For the Quarter Ended March 31, 2017

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In this Quarterly Report on Form 10-Q, “we,” “our,” “us,” “Instructure,” and the “Company” refer to Instructure, Inc. and its wholly-owned subsidiaries.

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements
INSTRUCTURE, INC.

Consolidated Balance Sheets

(in thousands, except per share data)

	March 31, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 28,266	$ 44,539
Short-term marketable securities	9,997	23,895
Accounts receivable—net of allowance of $229 and $241 at March 31, 2017 and December 31, 2016, respectively	12,803	18,072
Prepaid expenses	10,978	5,434
Other current assets	881	936
Total current assets	62,925	92,876
Property and equipment, net	16,912	14,733
Goodwill	989	989
Intangible assets, net	908	760
Noncurrent prepaid expenses	1,094	984
Other assets	1,022	994
Total assets	$ 83,850	$ 111,336
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 4,436	$ 5,374
Accrued liabilities	10,605	10,905
Deferred rent	823	773
Deferred revenue	54,736	72,747
Total current liabilities	70,600	89,799
Deferred revenue, net of current portion	3,391	3,144
Deferred rent, net of current portion	8,183	8,372
Warrant liability	32	25
Other long-term liabilities	32	32
Total liabilities	82,238	101,372
Stockholders' equity:		
Common stock	3	3
Additional paid-in capital	211,064	206,442
Accumulated other comprehensive loss	(2)	(12)

Accumulated deficit	(209,453)	(196,469)
Total stockholders’ equity	1,612	9,964
Total liabilities and stockholders’ equity	$ 83,850	$ 111,336

See accompanying notes.

INSTRUCTURE, INC.

Consolidated Statements of Operations

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended March 31,	
	2017	2016
Revenue:		
Subscription and support	$30,513	$20,577
Professional services and other	3,466	2,722
Total revenue	33,979	23,299
Cost of revenue:		
Subscription and support	7,105	5,437
Professional services and other	2,511	1,912
Total cost of revenue	9,616	7,349
Gross profit	24,363	15,950
Operating expenses:		
Sales and marketing	18,986	16,163
Research and development	11,182	7,805
General and administrative	6,986	5,736
Total operating expenses	37,154	29,704
Loss from operations	(12,791)	(13,754)
Other income (expense):		
Interest income	76	71
Interest expense	(14)	(11)
Change in fair value of warrant liability	(7)	62
Other income (expense), net	36	(75)
Total other income, net	91	47
Loss before income taxes	(12,700)	(13,707)
Income tax expense	(31)	(32)
Net loss	$(12,731)	$(13,739)
Net loss per common share, basic and diluted	$(0.44)	$(0.50)
Weighted average common shares used in computing basic and diluted net loss per common share	28,727	27,301

See accompanying notes.

INSTRUCTURE, INC.

Consolidated Statements of Comprehensive Loss

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2017	2016
Net loss	$(12,731)	$(13,739)
Other comprehensive loss:		
Unrealized loss on marketable securities	(2)	—
Comprehensive loss	$(12,733)	$(13,739)

See accompanying notes.

INSTRUCTURE, INC.

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2017	2016
Operating Activities:		
Net loss	$(12,731)	$(13,739)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	1,237	912
Amortization of intangible assets	142	77
Amortization of deferred financing costs	6	12
Change in fair value of warrant liability	7	(62)
Stock-based compensation	3,373	2,235
Other	2	28
Changes in assets and liabilities:		
Accounts receivable, net	5,273	2,601
Prepaid expenses and other assets	(5,633)	135
Accounts payable and accrued liabilities	(1,522)	515
Deferred revenue	(17,764)	(11,502)
Deferred rent	(139)	(35)
Other liabilities	—	(27)
Net cash used in operating activities	(27,749)	(18,850)
Investing Activities:		
Purchases of property and equipment	(3,145)	(2,268)
Purchases of intangible assets	(290)	(151)
Proceeds from disposal of property and equipment	15	8
Purchases of marketable securities	—	—
Maturities of marketable securities	13,900	325
Net cash provided by (used in) investing activities	10,480	(2,086)
Financing Activities:		
Proceeds from issuance of common stock from employee equity plans	1,038	123
Shares repurchased for tax withholdings on vesting of restricted stock	(42)	—
Net cash provided by financing activities	996	123
Net decrease in cash and cash equivalents	(16,273)	(20,813)
Cash and cash equivalents, beginning of period	44,539	90,471
Cash and cash equivalents, end of period	$28,266	$69,658
Supplemental cash flow disclosure:		
Cash paid for taxes	$127	$29
Non-cash investing and financing activities:		
Capital expenditures incurred but not yet paid	$284	$371
Issuance of common stock for exercise of common stock warrant	$—	$244
Vesting of common stock subject to repurchase	$—	$8

See accompanying notes.

INSTRUCTURE, INC.

Notes to Unaudited Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Organization

Instructure, Inc. provides an innovative, cloud-based learning management platform for academic institutions and companies worldwide. We built our learning management applications, Canvas, for the education market, and Bridge, for the corporate market, to enable our customers to easily develop, deliver and manage engaging face-to-face and online learning experiences. We offer our platform through a Software-as-a-Service, or SaaS, business model. We were incorporated in the state of Delaware in September 2008. We are headquartered in Salt Lake City, Utah, and have wholly-owned subsidiaries in the United Kingdom, Australia, the Netherlands, Hong Kong, Sweden and Brazil.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) applicable to interim periods, under the rules and regulations of the United States Securities and Exchange Commission (“SEC”). In the opinion of management, we have prepared the accompanying unaudited financial statements on a basis substantially consistent with the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2016, and these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire year ending December 31, 2017. The year-end balance sheet data was derived from audited financial statements, but this Form 10-Q does not include all disclosures required under GAAP. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted under the rules and regulations of the SEC.

These interim financial statements should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K filed with the SEC on February 10, 2017. There have been no changes in the Company’s significant accounting policies from those that were disclosed in the Company’s Annual Report on Form 10-K that have had a material impact on our consolidated financial statements and related notes.

Marketable Securities

We hold investments in marketable securities, consisting of corporate debt securities and commercial paper. We classify our marketable securities as available-for-sale investments as we neither buy and hold securities for the purpose of selling them in the near future nor intend to hold securities to maturity. We classify our marketable securities as short-term on the consolidated balance sheet for all purchased investments with contractual maturities that are less than one year as of the balance sheet date. Our marketable securities are carried at estimated fair value with any unrealized gains and losses, net of taxes, included in accumulated other comprehensive loss in stockholders’ equity. Unrealized losses are charged against other income (expense), net when a decline in fair value is determined to be other-than-temporary. We have not recorded any such impairment charge in the periods presented. We determine realized gains or losses on sale or maturity of marketable securities on a specific identification method, and record such gains or losses as other income (expense), net.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Such estimates, which we evaluate on an on-going basis, include allowances for doubtful accounts, useful lives for property and equipment and intangible assets, valuation of marketable securities, valuation allowances for net deferred income tax assets, valuation of stock-based compensation and common stock, the best estimate of selling price of deliverables included in multiple-deliverable revenue arrangements and the weighted average customer life used in the recognition of nonrefundable upfront implementation service revenue. We base our estimates on historical experience and on various other assumptions which we believe to be reasonable.

Liability for Common Stock Warrants

We account for freestanding warrants to purchase shares of our common stock that are not considered indexed to our own stock as warrant liabilities on our consolidated balance sheets. Under Accounting Standards Codification ("ASC") 815, we record the liability-classified common stock warrants issued in conjunction with our credit facility at their estimated fair value because they are free standing and the number of shares exercisable under this warrant to purchase our common stock increases if the loan balance exceeds $7,500,000. At the end of each reporting period, changes in the estimated fair value of the warrants to purchase shares of common stock are recorded as a change in fair value of warrant liability in the consolidated statements of operations. A portion of the warrants were exercised in February 2016 (see Note 9—Fair Value of Financial Instruments).

Recent Accounting Pronouncements

Adopted accounting pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting", which simplifies several aspects of the accounting for share-based payment transactions. The new guidance requires companies to record excess tax benefits and tax deficiencies as income tax benefit or expense in the statement of operations when the awards vest or are settled, and eliminates the requirement to reclassify cash flows related to excess tax benefits from operating activities to financing activities on the statement of cash flows. We adopted the standard in the three months ended March 31, 2017. Upon adoption, we recognized the previously unrecognized excess tax benefits using the modified retrospective transition method through a cumulative-effect adjustment of $3,039,000. The previously unrecognized excess tax effects were recorded as a deferred tax asset, which was fully offset by a valuation allowance. Because of this full valuation allowance, historically we have not reported any excess tax benefits in our consolidated statements of cash flows. Prospectively when our deferred tax asset is no longer fully offset by a valuation allowance, we will apply the change in presentation to the statement of cash flows and will classify the excess tax benefit in the operating section. In addition, we have elected to account for forfeitures as they occur, rather than estimate expected forfeitures over the course of a vesting period. As a result, we recorded a cumulative-effect adjustment to increase our additional paid-in capital and accumulated deficit by $253,000.

In April 2015, the FASB issued ASU No. 2015-05, Intangibles – Goodwill and Other – Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which provides guidance to clarify the customer's accounting for fees paid in a cloud computing arrangement. This guidance simplifies entities' processes as it provides criteria to determine whether cloud computing arrangements contain a software license and should be account for as internal use software under ASC 350-40. We elected to prospectively adopt the accounting standard in the beginning of our first quarter of 2016. Prior periods in our consolidated financial statements were not retrospectively adjusted. Starting in our first quarter of 2016, if an arrangement included a software license, as defined by this ASU, then we accounted for the software license element of the arrangement in the intangible assets, net line item of the consolidated balance sheets rather than recording the amount in property and equipment, net.

Issued accounting pronouncements

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment. This guidance simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test. Under current guidance, Step 2 of the goodwill impairment test requires entities to calculate the implied fair value of goodwill in the same manner as the amount of goodwill recognized in a business combination by assigning the fair value of a reporting unit to all of the assets and liabilities of the reporting unit. The carrying value in excess of the implied fair value is recognized as goodwill impairment. Under the new standard, goodwill impairment is recognized based on Step 1 of the current guidance, which calculates the carrying value in excess of the reporting unit's fair value. The new standard is effective for us beginning February 1, 2020, with early adoption

permitted. We do not believe the adoption of ASU 2017-04 will have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the financial statements. Lessor accounting is similar to the current model but updated to align with certain changes to the lessee model. Lessors will continue to classify leases as operating, direct financing or sales-type leases. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. The updated standard is effective for us beginning in the first quarter of 2019. We are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers: Topic 606", as amended, ("ASU 2014-09"). The standard supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of the standard is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The standard defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation, among others. The standard also provides guidance on the recognition of costs related to obtaining customer contracts.

ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017. We will adopt the new standard effective January 1, 2018. The new standard permits adoption using either of two methods: (1) full retrospective application of the standard to each prior reporting period presented with the option to elect certain practical expedients as defined within the standard, or (2) modified retrospective application of the standard with the cumulative effect of initially applying the standard recognized at the date of initial application and providing certain additional disclosures as defined per the standard. We are currently considering adopting the new standard using the full retrospective method. Our ability to adopt using the full retrospective method is dependent on several factors, including the significance of the impact of the new standard to our financial results, system readiness and our ability to accumulate and analyze the information necessary to assess the impact on prior period financial statements, as necessary.

We are in the initial stages of our evaluation of the impact of the new standard on our accounting policies, processes, and system requirements. We have assigned internal resources in addition to the engagement of third party service providers to assist in the evaluation. Furthermore, we have made and will continue to make investments in systems to enable timely and accurate reporting under the new standard.

Under the current revenue recognition guidance, we have historically concluded that nonrefundable upfront fees do not have standalone value, and accordingly, we have recognized those fees over the longer of the contract term or customer life. Under the new standard, we have preliminarily concluded that nonrefundable upfront fees are not considered a separate performance obligation. As such, the consideration related to the nonrefundable upfront fees would be allocated across the other performance obligations included in the contract. Furthermore, under the current revenue recognition guidance we limit the amount of revenue recognition for delivered elements to the amount that is not contingent on the delivery of future services. Under the new standard, the concept of contingent revenue no longer exists. Depending on the outcome of our evaluation, the timing of when revenue is recognized could change significantly for nonrefundable upfront fees and our multi-year subscription agreements.

As part of our preliminary evaluation, we have also considered the impact of the standard's requirements with respect to capitalization and amortization of incremental costs of obtaining a contract. Under our current accounting policy, incremental costs of obtaining a contract are expensed as incurred. The new standard requires the capitalization of all incremental costs that we incur to obtain a contract with a customer that would not have been incurred if the contract had not been obtained, provided we expect to recover those costs.

While we continue to assess all potential impacts under the new standard, including the areas described above, and anticipate this standard could have a material impact on our consolidated financial statements, we do not know or cannot reasonably estimate quantitative information related to the impact of the new standard on the financial statements at this time.

2. Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period, less the weighted average unvested common stock subject to repurchase or forfeiture.

Diluted net loss per share is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of the diluted net loss per share calculation, options to purchase common stock, common stock warrants and restricted stock units are considered to be common stock equivalents.

A reconciliation of the denominator used in the calculation of basic and diluted loss per share is as follows (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2017	2016
Numerator:		
Net loss	$(12,731)	$(13,739)
Denominator:		
Weighted-average common shares outstanding—basic	28,727	27,336
Less: Weighted-average common stock subject to repurchase	—	(35)
Total weighted-average common shares outstanding—basic	28,727	27,301
Dilutive effect of share equivalents resulting from stock options, restricted stock units, common stock warrants and common stock subject to repurchase	—	—
Weighted-average common shares outstanding-diluted	28,727	27,301
Net loss per common share, basic and diluted	$(0.44)	$(0.50)

For all periods presented, we incurred net losses and, therefore, the effect of our outstanding stock options, restricted stock units, common stock warrants and common stock subject to repurchase was not included in the calculation of diluted loss per share as the effect would be anti-dilutive. The following table contains share totals with a potentially dilutive impact (in thousands):

	As of March 31,	
	2017	2016
Options to purchase common stock	2,987	4,183
Common stock warrants	17	17
Common stock subject to repurchase	—	24
Restricted stock units	1,194	1,031
Total	4,198	5,255

3. Property and Equipment

Property and equipment consist of the following (in thousands):

	March 31, 2017	December 31, 2016
Computer and office equipment	$4,350	$ 3,918
Purchased software	1,071	1,074
Capitalized software development costs	8,765	6,947
Furniture and fixtures	2,967	2,701
Leasehold improvements and other	10,271	9,413
Total property and equipment	27,424	24,053
Less accumulated depreciation and amortization	(10,512)	(9,320)
Total	$16,912	$ 14,733

Accumulated amortization for capitalized software development costs was $2,840,000 and $2,355,000 at March 31, 2017 and December 31, 2016, respectively. Amortization expense for capitalized software development costs was $485,000 and $275,000 for the three months ended March 31, 2017 and 2016, respectively. Amortization expense for capitalized software development costs is recorded within cost of revenue on the consolidated statements of operations.

4. Goodwill and Intangible Assets

Goodwill was $989,000 as of March 31, 2017 and December 31, 2016.

Intangible assets consisted of the following (in thousands):

	Average Remaining Useful Life	March 31, 2017	December 31, 2016
Domain names	12 Months	$1,268	$ 1,268
Tradenames and trademarks	2 Months	109	109
Non-compete agreements	0 Months	26	26
Software	28 Months	611	321
Capitalized Learning Content	55 Months	400	400
Accumulated amortization		(1,506)	(1,364)
Total		$908	$ 760

Amortization expense for intangible assets was $142,000 and $77,000 for the three months ended March 31, 2017 and 2016, respectively.

Based on the recorded intangible assets at March 31, 2017, estimated amortization expense is expected to be as follows (in thousands):

Years Ending December 31,	Amortization Expense
Remainder of 2017	$ 249
2018	285
2019	216
2020	94
2021	64
Total	$ 908

5. Segment Information and Geographic Data

We operate in a single operating segment, cloud-based learning management systems. Operating segments are defined as components of an enterprise for which separate financial information is regularly evaluated by the chief operating decision makers, or CODMs, which are our chief executive officer and chief financial officer, in deciding how to allocate resources and assess performance. Our CODMs evaluate our financial information and resources and assess the performance of these resources on a consolidated basis. Since we operate in one operating segment, all required financial segment information can be found in the consolidated financial statements.

Revenue by geographic region, based on the physical location of the customer, is (in thousands):

	Three Months Ended March 31,	
	2017	2016
United States	$29,992	$21,594
Foreign	3,987	1,705
Total revenue	$33,979	$23,299
Percentage of revenue generated outside of the United States	12 %	7 %

6. Marketable Securities

Our investment policy is consistent with the definition of available-for-sale securities. We do not buy and hold securities principally for the purpose of selling them in the near future nor do we intend to hold securities to maturity. Rather, our policy is focused on the preservation of capital, liquidity and return. From time to time, we may sell certain securities but the objectives are generally not to generate profits on short-term differences in price.

The following tables summarize, by major security type, our assets that are measured at fair value on a recurring basis (in thousands):

	March 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	$9,999	$ —	$ (2)	$ 9,997

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	$23,907	$ —	$ (12)	$ 23,895

The aggregate fair value of investments in an unrealized loss position was $7,599,000 and $17,906,000 as of March 31, 2017 and December 31, 2016, respectively. Because we do not intend to sell the investments that are in an unrealized loss position and it is not likely that we will be required to sell any investments before recovery of their amortized cost basis, we do not consider these investments with an unrealized loss to be other-than-temporarily impaired as of March 31, 2017.

There were no gross realized gains or losses from the sale or maturity of marketable securities during the three months ended March 31, 2017 and 2016.

During the three months ended March 31, 2017, we recognized gross interest income on securities of $65,000. Interest income was offset by amortization expense on securities of $8,000 during the three months ended March 31 2017, and reported net within interest income on the consolidated statements of operations.

During the three months ended March 31, 2016, we recognized no gross interest income or amortization expense on securities.

The estimated fair value of investments by contractual maturity is as follows (in thousands):

	March 31, 2017	December 31, 2016
Due within one year	$9,997	$ 23,895
Due after one year and through 5 years	—	—
Due after 5 years and through 10 years	—	—

Due after 10 years	—	—
Total	$9,997	$ 23,895

7. Stockholders' Equity and Stock-Based Compensation

Common Stock

As of March 31, 2017 and December 31, 2016, there were 200,000,000 shares of common stock authorized and 28,899,327 and 28,553,808 shares issued and outstanding, respectively. Each share of common stock has the right to one vote on all matters submitted to a vote of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and if declared by the board of directors, subject to prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid on the common stock through March 31, 2017.

Employee Equity Plans

Our 2015 Equity Incentive Plan (the "2015 Plan") serves as the successor to our 2010 Equity Incentive Plan (the "2010 Plan"). Accordingly, no shares are available for issuance under the 2010 Plan; however, any outstanding options granted under the 2010 Plan will remain outstanding and subject to the terms of that plan until exercised, terminated or expired by their terms. As of March 31, 2017, options to purchase 2,571,450 shares of common stock remained outstanding under the 2010 Plan. Pursuant to the terms of the 2015 Plan, the share reserve automatically increased by 1,284,921 shares in January 2017. As of March 31, 2017, we had approximately 2,644,797 shares of common stock available for future grants under the 2015 Plan.

We also have a 2015 Employee Stock Purchase Plan ("ESPP"). The ESPP allows eligible employees to purchase shares of our common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. Our board of directors approves the ESPP offerings. The offerings need not be identical, but each offering may not exceed 27 months and may specify one or more shorter purchase periods within the offering. Pursuant to the terms of the ESPP, the share reserve increased by 285,538 shares in January 2017. As of March 31, 2017, 606,678 shares of common stock were available for issuance under the ESPP.

The following two tables show stock-based compensation expense by award type and where the stock-based compensation expense was recorded in our consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2017	2016
Options	$1,218	$1,199
Restricted stock units	1,665	481
Employee stock purchase plan	490	555
Total stock-based compensation	$3,373	$2,235

	Three Months Ended March 31,	
	2017	2016
Subscription and support cost of revenue	$126	$94
Professional services and other cost of revenue	105	99
Sales and marketing	955	655
Research and development	1,232	785
General and administrative	955	602
Total stock-based compensation	$3,373	$2,235

Stock Options

The following table summarizes stock option activity for the three months ended March 31, 2017 (in thousands, except per share data and years):