

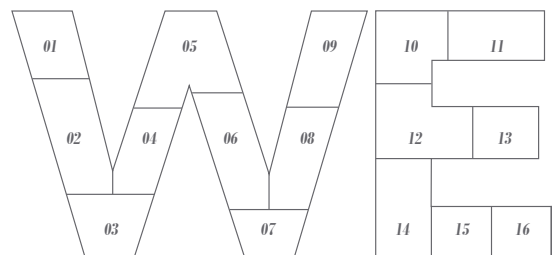


*Dedication to Excellence Award Winners*

- {01} **Lynn Hoff, Kentucky**  
*Technical Business Analyst, Advisory Associate since 2012*
- {02} **Kim Vandine, Texas**  
*Administrative Sales Support Representative II Associate since 2007*
- {03} **Shelly Helmuth, Indiana**  
*Administrative Assistant II Associate since 2000*
- {04} **Roger Wolf, Missouri**  
*Project Management, Senior Manager Associate since 2006*
- {05} **Levi Price, Missouri**  
*Programmer Analyst Associate since 2013*
- {06} **Kelli Houser, Missouri**  
*QA Analyst, Advanced Associate since 2000*
- {07} **Beth Carter, Alabama**  
*Customer Relationship Manager, Advisory Associate since 1996*
- {08} **Sam Turk, South Carolina**  
*Programmer Analyst, Senior Associate since 1993*
- {09} **Monica Clark, Kentucky**  
*Installation Manager, Senior Associate since 2007*
- {10} **Margie Fenske, Missouri**  
*Instructional Design Specialist, Advanced Associate since 2001*
- {11} **Ty Knotts, Missouri**  
*Technical Support Coordinator Associate since 2010*
- {12} **Krishna Ghamandi, Florida**  
*Technical Support Representative, Advanced Associate since 2007*

*Dedication to Excellence Chairman Award Winners*

- {13} **Tina Rioux**                      {15} **Kara Church**
- {14} **Debbie McGilvry**            {16} **Robert Avie**



# WE | ARE JACK HENRY & ASSOCIATES, INC.®

For 38 years, we at Jack Henry & Associates (JHA) have built our business on the belief that the people who contribute day-in and day-out to our success are the true foundation of our company. JHA is not a logo, a website, or a slogan. We are the voices on the other end of the line in a customer's moment of need. We are the installers who work long hours to ensure the job is done right. We are the programmers who develop the perfect code for a new enhancement.

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***We are a time-tested, unified group of approximately 5,600 innovative minds working toward one common goal – excellence in financial services technology.***

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In 2013 we created our Dedication to Excellence Awards, a program in which our employees can nominate peers who they believe continually demonstrate, through word and deed, a commitment to our company's fundamental values. We are pleased to introduce to you, our shareholders, some of the associates who were recognized with this award during fiscal year 2014. Read more about these awards on page 19.

# ABOUT JACK HENRY

*Jack Henry & Associates (JHA) was founded in 1976 to support community banks with in-house data processing systems. Today, we sell and support more than 300 products and services that enable financial institutions to process financial transactions, automate their businesses, and succeed in the competitive financial services industry.*

We serve approximately 11,300 customers with products and services delivered through three primary brands – Jack Henry Banking®, Symitar®, and ProfitStars®. Our customers are financial institutions of all sizes, diverse businesses outside the financial industry, and other technology providers. Each of our distinct brands is committed to providing high quality, easily integrated solutions that are backed by integrity-based business relationships and exceptional service.

In an industry that is constantly transforming, we continue to deliver trusted technology that:

- Enables efficiency and compliance.
- Integrates with other systems and data.
- Supports unique customer needs through customization.
- Provides flexible delivery options including in-house or outsourced/cloud technology.
- Positions our customers for the future.

By focusing on internal product development, disciplined acquisitions, and alliances with proven companies that complement our proprietary solutions, we are able to expand our offerings and regularly introduce new products and services that generate extensive cross-sale opportunities spanning our three brands. Our commitment to quality and our high service standards foster customer relationships that stand the test of time – and have enabled us to capture substantial market share. ***Learn more at [www.jackhenry.com](http://www.jackhenry.com).***

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## THREE SUCCESSFUL BRANDS

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**jack henry**Banking®

[www.jackhenrybanking.com/about](http://www.jackhenrybanking.com/about)

- » U.S. Community and Mid-Tier Banks
- » Core Processing Systems
- » Integrated Complementary Products
- » In-House or Outsourced Services

- » U.S. Credit Unions of All Sizes
- » Core Processing Systems
- » Integrated Complementary Products
- » In-House or Outsourced Services

- » U.S. and International Financial Institutions
- » Core Processor Agnostic
- » Corporate Entities
- » Best-of-Breed Niche Solutions

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**Symitar**®

[www.symitar.com/about](http://www.symitar.com/about)

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ProfitStars®

[www.profitstars.com/about](http://www.profitstars.com/about)

# MISSION STATEMENT

To protect and increase the value of our stockholders' investment by providing quality products and services to our customers. In accomplishing this we feel it is important to:

- *Concentrate our activities on what we know best – information systems and services for financial institutions.*
- *Provide outstanding commitment and service to our customers so that the perceived value of our products and services is consistent with the real value.*
- *Maintain a work environment that is personally, professionally, and financially rewarding for our employees.*

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# GUIDING PRINCIPLES

We have maintained the focused work ethic and ideals established by our co-founders – Jack Henry and Jerry Hall – 38 years ago.

- *Do the right thing.*
- *Do whatever it takes.*
- *Have fun.*

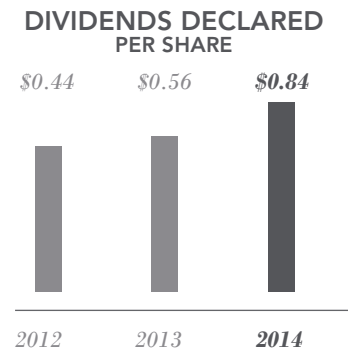
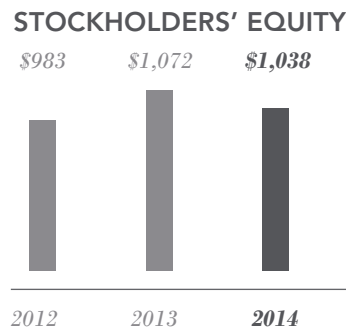
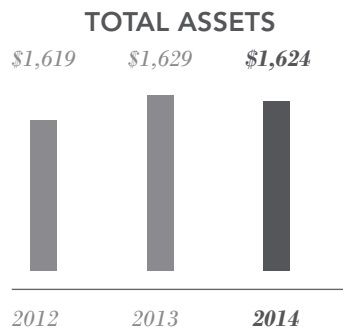
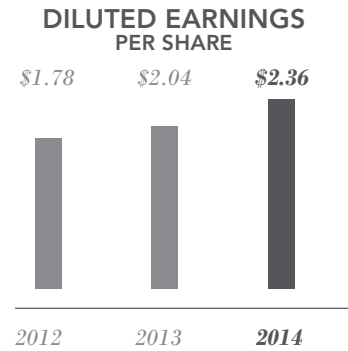
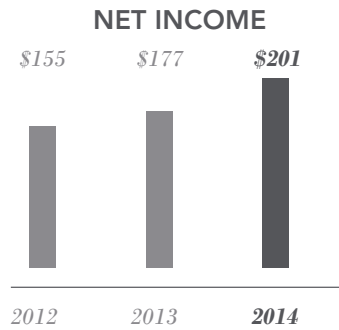
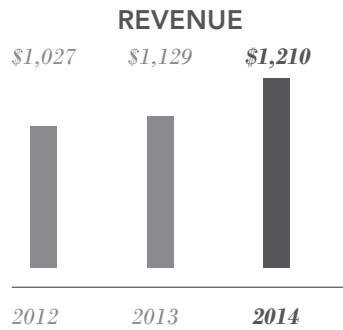
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# 2014

## FINANCIALS

(In millions except per share data)





## FELLOW SHAREHOLDERS,

*Fiscal year 2014 (ended June 30) marked our 38th year in business, 28th year as a public company, and another year of record financial performance and profitable organic revenue growth across all three of our brands. The economy continued its recovery and financial institutions continued investing in their technology infrastructures.*

During fiscal year 2014, we acquired Banno, a company providing more than 375 financial institution customers with data-enriched Web and transaction marketing services with a focus on the mobile medium. Banno added three primary services to our product line: Banno Mobile™ a financial aggregation application that combines mobile banking, mobile personal financial management (PFM), and mobile bill pay in one native app; a web solution that offers the design and development of responsive websites; and Kernel™, a targeted online advertising platform. This acquisition expanded our online and mobile suite, increased cross-sale opportunities among our respective customer bases, and added loyal customers to our client roster.

This year we also welcomed new members of our executive management team. We announced that David Foss would transition from his role as President of our ProfitStars division to President of JHA, replacing Tony Wormington who retired June 30, 2014. In response to our continued focus on payments and risk management, we also announced two new, consolidated groups within our organizational structure – Payment Solutions and Enterprise Risk Management – and appointed General Managers in both of these areas.

We continued our commitment to mitigating our company's and our customers' exposure to risk, refining our enterprise-wide approach in response to internal process analyses and regulatory updates. Policy and procedure revisions, staff realignments, and technology advancements better positioned us to proactively protect customer information and respond effectively to unexpected events and evolving compliance directives.

During fiscal year 2014, we continued to see a growing preference for software delivered in a hosted environment which is also referred to as outsourcing, in-the-cloud, or Software-as-a Service (SaaS). Today, 44% of our core clients use the hosted model. This shift has been a significant contributor to our recurring revenue composition which now approaches 80%.

***We are excited about the opportunities ahead, and we're confident that with the support of our exceptional employees and our loyal customers we will continue to see a strong financial performance and superior shareholder returns.***

We've also experienced growth in our electronic payments businesses, which currently generate more than \$443 million in annual revenue, or 37% of our total revenue. This revenue is generated primarily by fees for each transaction processed, and with the increasing trend toward electronic payment alternatives, including online and mobile, this is growing at a significantly higher rate than our traditional business. We generated 7% revenue growth during the year, with nearly 100% being organic and a slight contribution from Banno. During the year we increased our dividend substantially by 50%, reflecting our confidence in our ability to use our cash flow and balance sheet to fund significant acquisitions and continue to return more money to shareholders.

During fiscal year 2014, revenue, earnings, and operating cash flow all reached record highs. Total revenue increased to a record \$1,210 million. Net income was \$201 million or \$2.36 per diluted share, as compared to net income of \$177 million or \$2.04 per diluted share reported for fiscal year 2013. We generated strong cash flow from operating activities of \$342 million, as compared to \$309 million in fiscal year 2013. Our return on assets was 12.4%, and return on equity was 19.1%. We generated strong profitability with a 26% operating margin.

Our revenue mix for the year consisted of \$53 million in software license fees or 4% of total revenue, \$1,098 million in support and services or 91% of total revenue, and \$59 million in hardware sales or 5% of total revenue.

Recurring revenue, which consists of software maintenance fees, outsourcing services, and electronic payment processing, approached 80% of total revenue in fiscal year 2014.

Backlog, which consists of contracted sales of products and services that were not delivered by fiscal year-end, reached \$513 million, a 3% increase over the \$499 million reported last year.

We expect to find comparable growth opportunities to generate solid financial performance again in 2015 based on our focused business strategy and our ability to control and reduce near- and long-term operating expenses.

We are excited about the opportunities ahead, and we're confident that with the support of our exceptional employees and our loyal customers we will continue to see a strong financial performance and superior shareholder returns.

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**JACK PRIM** { *Chairman of the Board & Chief Executive Officer* }



**DAVID FOSS** { *President* }



**KEVIN WILLIAMS** { *Chief Financial Officer & Treasurer* }



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**jack henry**  
& ASSOCIATES INC.®

# WE

# ARE GROWING, ADAPTING, AND INNOVATING

## A STRATEGIC FOCUS ON PAYMENTS

Payment processing services is JHA's fastest growing business line, providing a dynamic suite of solutions that quickly, accurately, and securely move money through virtually all payment channels and support all remittance types.

From traditional payments like debit card and online bill payments to emerging payment channels like person-to-person (P2P) and mobile remote deposit capture, we offer customizable platforms that allow our customers to quickly respond to market demands. We competitively differentiate our payments solutions with value-added services including sophisticated reporting and analytics tools and proven programs for increasing consumer adoption and organic growth. In addition to our direct sales efforts, we enhance our presence in the payments industry by establishing reseller agreements with other technology providers and partnering with proven value added resellers (VARs) and independent sales organizations (ISOs).

In fiscal 2014, we consolidated our payment offerings under one umbrella, Payment Solutions, and appointed a new general manager of that group. We believe our payments business will continue to generate significant growth for our company and garner new opportunities for innovation.

## OUTSOURCING OPPORTUNITY

Today, the forces driving financial institutions to consider outsourcing – and the benefits they can gain from a successful provider partnership – are greater than ever. With outsourcing, financial institutions can eliminate both the capital expenditures required for in-house system installations and the need for resident resources to operate and manage in-house hardware and software. Since JHA is able to leverage economies of scale, institutions not only benefit from more predictable costs, but also gain access to the latest technology and a more sophisticated infrastructure and processing

*Continued on page 13.*



*Dedication to Excellence Chairman Award Winner*

## **Tina Rioux**

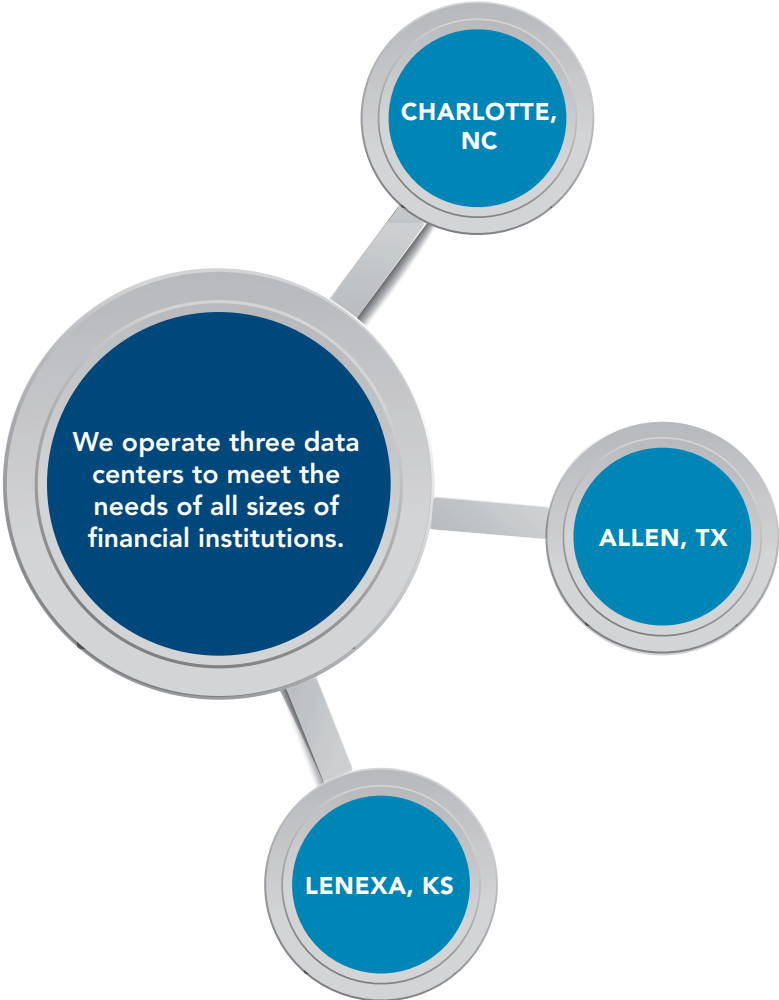
*Livermore, Maine*

*Customer Relationship Manager, Senior*

*Associate since 2003*

# OUTLINK DATA CENTERS

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Turnkey outsourcing solutions to approximately **759 financial institutions.**

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Financial institutions range from de novo to multi-billion dollar mid-tier institutions.  
**Average assets = \$320.5 million.**

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OutLink currently processes approximately **18 million deposit/loan** accounts each day.

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OutLink processes more than **29 million checks/electronic equivalent transactions** each month.

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environment. Additionally, in today's compliance-focused environment, outsourcing shifts much of our customers' compliance burden to us, while providing them – and their customers – with powerful security, disaster recovery, and business continuity resources. Perhaps most importantly, outsourcing lets financial institutions focus on serving their customers, without worrying about the dynamic technology required to do so. Our OutLink Data Centers continue to grow year-over-year in number of institutions served and transactions processed, and 2014 was no exception.

***Our OutLink Data Centers continue to grow year-over-year in number of institutions served and transactions processed, and 2014 was no exception.***

## POSITIONING OUR CUSTOMERS FOR THE FUTURE

Midway through 2014, we launched the Innovation Center, a strategic team that identifies opportunities to enhance our products with innovative solutions that proactively address changing customer and market needs. Responsible for bringing concepts from inception to development in less than six months, the Innovation Center is built for speed and efficiency rather than relying on a time intensive, analysis-laden process. The goal is to get potential products in front of a customer committee, solicit feedback, and assess the products' value as quickly as possible. If products are validated, they are sent to our operational units to develop documentation, refine processes, establish support, and eventually move into general availability. The Innovation Center provides a continuous flow of ideas, so if a product offers limited opportunity to meet a customer need, it drops out of consideration and another product takes its place.

# WE

## REMAIN COMMITTED TO MONITORING AND MITIGATING RISK

*We continued to focus on risk management this fiscal year, redefining our processes to ensure that risks are identified and managed appropriately. By realigning personnel, establishing new reporting relationships, and consolidating risk related functions under one new department – Enterprise Risk Management – we improved the flow of information to executive management and the Board of Directors.*

Monthly meetings with the Board's Risk & Compliance Committee ensure that process improvement commitments are being met and that corporate risks are being managed and mitigated enterprise-wide. Additionally, the Enterprise Risk Management group offers clear and definitive governance that helps ensure that all areas of the company are adhering to established corporate policies and addressing changes to these policies when appropriate. This more focused approach offers a new structure to our organizational risk management while positioning us to readily adapt as necessary to the ever-changing financial services environment.



*Dedication to Excellence Chairman Award Winner*

## **Robert Avie**

*Troy, Michigan*

*Applications Analyst, Senior*

*Associate since 2008*





*Dedication to Excellence Chairman Award Winner*

## **Kara Church**

*San Diego, California  
Technical Editor, Advisory  
Associate since 1998*

# WE | ARE ONE COMPANY

## ONE CONSISTENT CUSTOMER EXPERIENCE

*Our “One Company” initiative was born out of one simple idea: that we must serve our customers better than the competition. To provide the best in service, we believe that all customers should receive a consistent, seamless service experience across all JHA departments, regardless of which division serves them. This idea has become a living, breathing part of our business, and has been the catalyst for operational improvements company-wide in fiscal 2014.*

We’ve made great strides during the past year to market our products and services with a multi-product “solution view” rather than a single “product view.” By organizing our product suites in an intuitive way across all brands, customers are now able to better understand our solutions, relate them to their business, and implement them where it makes the most sense for their operations. The clarity this “solution view” offers fosters improved customer satisfaction, stronger partnerships, and cross-sale opportunities that add value to the banks and credit unions we serve.

Additionally, to support company-wide knowledge about our rapidly growing product and service catalog, we implemented all-employee product training. The goal of the training was to ensure that every associate across all of our divisions and departments was familiar with all JHA products and services – not just the ones they work with daily. The training was followed by an online test that assessed their knowledge and proficiency, the belief being that an employee base with broader product knowledge will undoubtedly lead to better customer service.

Our *For Clients* portal remains an important channel of communication with our customers. Accessible via our website, this convenient online hub allows customers to initiate and manage support requests, view announcements and alerts, visit discussion boards, search product information, and more. We continue to update our *For Clients* site to ensure it offers relevant and timely information and an intuitive user experience designed with our customers in mind.

*Continued on page 19.*

# DAILY CUSTOMER SATISFACTION SURVEYS

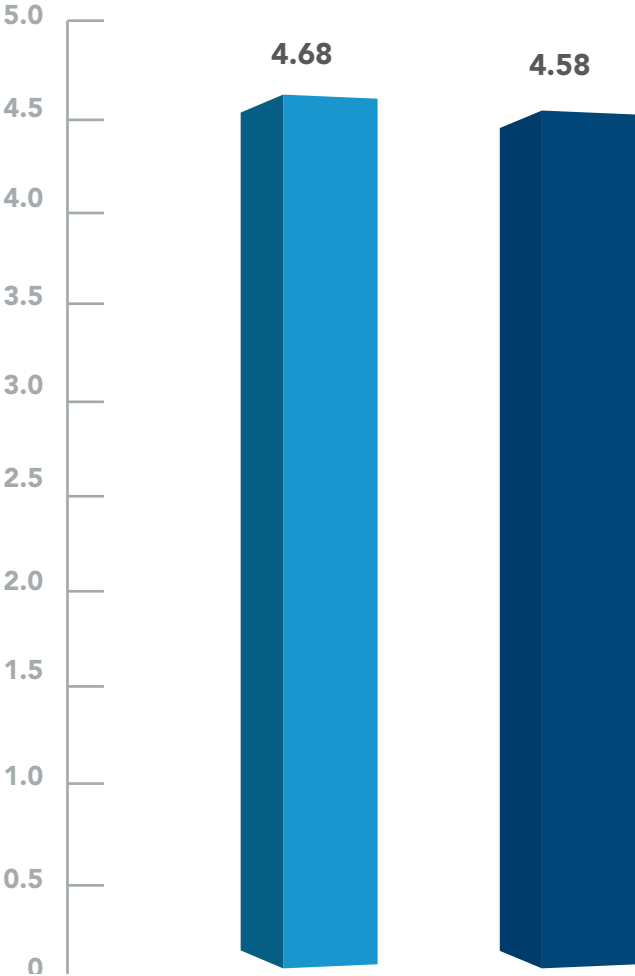
QUESTIONS ASKED OF OUR CUSTOMERS:

**Q7** What is your overall rating of the Customer Service Representative?

**Q10** What is your rating for this customer service experience overall?

**RATING SCALE:**

- 5) Far exceeded expectations
- 4) Exceeded expectations
- 3) Met expectations
- 2) Needs improvement
- 1) Unacceptable



Once again, our annual customer satisfaction surveys proved that we're doing things right. The results of the more than 80,000 online surveys we distribute after routine support requests confirm that our investment in and commitment to providing exceptional service generates customer satisfaction levels that are among the highest – if not the highest – in the markets we serve.

## ONE DEDICATED AND SATISFIED WORKFORCE

Consistent with previous years, our employee satisfaction survey yielded satisfaction levels that exceeded the benchmarks in key areas, proving that our employees remain devoted to JHA and optimistic about their future success with our organization. Our associates are confident about JHA's future performance, they trust in our values, and believe they will have successful careers.

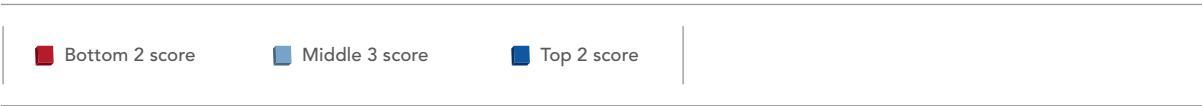
Career growth was a primary focus at JHA in fiscal 2014, as demonstrated with our development of the PRIDE Academy, an educational opportunity spearheaded by JHA's executive team and general managers. The PRIDE acronym is derived from JHA's Core Values: Passion for Customer Service, Relationships, Integrity, Drive for Results, and Excellence. PRIDE Academy is a series of courses that empower our employees with the tools and resources they need to achieve personal and professional excellence. From the newest hire to the seasoned employee, the program provides a path to personal and professional growth through educational courses in four primary areas: PRIDE in People, PRIDE in Management, PRIDE in Leadership, and PRIDE in Excellence. Each course combines live and virtual classroom experiences, interactive facilitation and coaching, practical application of skills with assessments, and feedback opportunities. PRIDE Academy is a worthwhile commitment for a fulfilling, meaningful, and fun experience as associates develop their careers at JHA.

Our Dedication to Excellence Awards and Chairman Awards continue to recognize associates who consistently go above and beyond in their work and embody JHA's Core Values. The Dedication to Excellence Award is a peer-nominated award that is presented to four associates each quarter; 16 associates each year. The winners of the Dedication to Excellence Awards are eligible for the Chairman Award, a prestigious award hand-selected by our executives and presented to four associates at the end of each fiscal year.

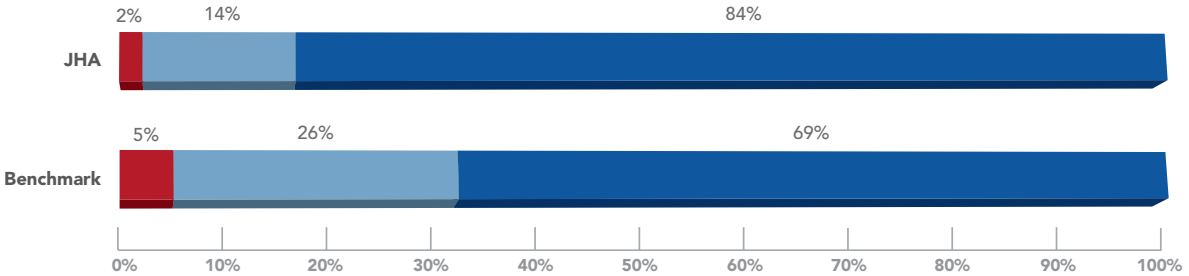


# EMPLOYEE ENGAGEMENT SURVEY

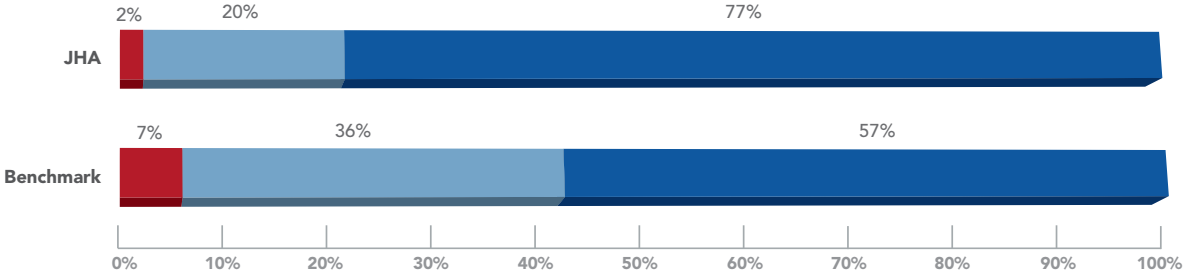
## 2014 SURVEY AVERAGE SCORES



### My organization has consistently treated me well.

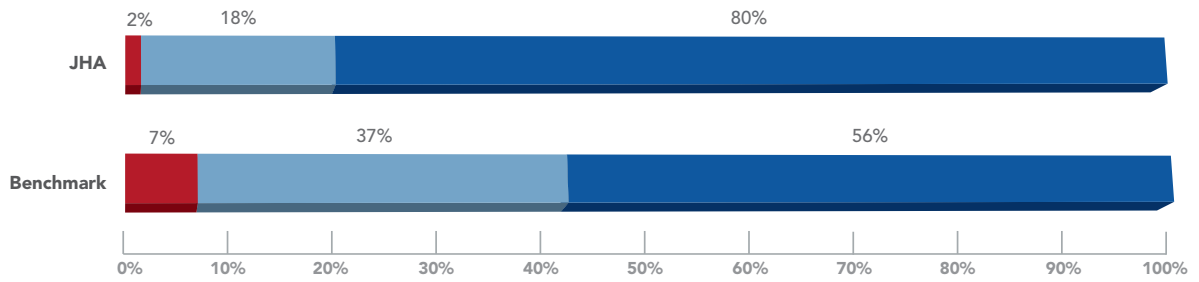


### I trust my organization.

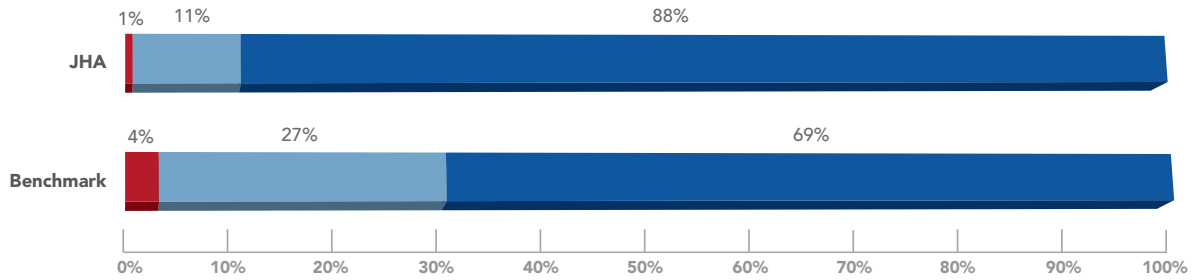


Bottom 2 score Middle 3 score Top 2 score

### I am confident about the future performance of my organization.



### I believe in my organization's values.



*Dedication to Excellence Chairman Award Winner*



**Debbie McGilvry**

*Springfield, Missouri*

*Technical Support Supervisor*

*Associate since 2000*



# WE

# HAVE BUILT A LEGACY OF EXCEPTIONAL LEADERSHIP

*Since Jack Henry and Jerry Hall founded JHA in 1976, the company has benefited from the best and brightest leadership in the business. This year we announced changes to our executive management team, introduced a new board member, added new general managers, and continued to provide ongoing advancement opportunities and professional training to promote managers at every level and position them for success.*

In February of 2014, long-standing JHA President Tony Wormington informed the Board of Directors that he would retire as President of the company effective June 30, 2014, and David Foss, President of Jack Henry's ProfitStars division, was announced as his successor.

Tony began his career with JHA in 1980 and was an integral part of our growth and evolution into a premier financial services provider. A Monett, Missouri, native who was initially hired as an installer, Tony went on to hold positions as Research and Development Manager, Vice President and General Manager of Technology Solutions, Chief Operating Officer, and in 2004 was promoted to President.

New JHA President David Foss joined JHA in 1999 when he arranged the sale of BancTec's financial solutions division to Jack Henry and Associates. From 1999 to the inception of ProfitStars in 2003, he served a dual role as President of the Open Systems group and General Manager of the Complementary Solutions group. He was President of ProfitStars from 2004 until 2014 when he was named President of JHA.

Russ Bernthal was named the new President of ProfitStars. Russ joined JHA in 2005 through the acquisition of Tangent Analytics, Inc. where he served as President and CEO. He has served in progressively responsible roles, most recently as Group President of ProfitStars' Software Solutions, and in his new role he has assumed operational and development responsibilities for the ProfitStars branded products including Imaging Solutions, Lending Solutions, Gladiator®, Performance Suite, Web Solutions, Banno Mobile™/Kernel™ and the remittance product line.

JHA also added a new Board member. On September 10, 2013, we announced that Laura Kelly was appointed to the Board of Directors as an independent director. Our Board consists of seven members, including six independent outside directors and one non-independent director. Laura has spent more than 20 years in senior leadership roles in financial services technology and payments, focusing on strategy, innovation, risk/compliance, and marketing. Laura was recognized by the industry for her contributions by being named one of the most influential women in payments in 2013.

***“The company, our shareholders, the Jack Henry & Associates employees, and our clients that Tony has cared so much about owe a great debt of gratitude to him for his many years of service and contribution to JHA’s success.”***

Jack Prim, CEO and Chairman of the Board

# WE

LOOK TOWARD THE  
FUTURE, CONFIDENT  
AND OPTIMISTIC

During fiscal year 2015 we will continue to focus on our primary growth drivers:

- *Maintain our high levels of customer satisfaction and retention by delivering high-quality business solutions and exceptional service.*
- *Increase market share with targeted sales efforts.*
- *Expand our existing customer relationships by cross selling additional products and services.*
- *Introduce new products and services that capitalize on advancing technologies and enhance our customers' existing technology platforms.*
- *Increase recurring revenue by optimizing outsourcing opportunities, transaction-based processing fees, and ongoing software maintenance and support fees.*
- *Pursue disciplined acquisitions that complement our internal growth, continue our focused diversification, and expand our product offerings with proven solutions.*
- *Continue our strict focus on cost control.*

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***We are optimistic that our strategic financial position and the support of our experienced management team and exceptional workforce will enable us to generate company-wide progress and a strong financial performance again in fiscal year 2015.***

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# *2014* | FINANCIAL REVIEW

## MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is quoted on the NASDAQ Global Select Market ("NASDAQ"), formerly known as the NASDAQ National Market, under the symbol "JKHY". The following table sets forth, for the periods indicated, the high and low sales price per share of the common stock as reported by NASDAQ.

	Fiscal 2014		Fiscal 2013	
	High	Low	High	Low
Fourth Quarter	\$ 60.02	\$ 52.87	\$ 48.24	\$ 37.90
Third Quarter	60.34	53.55	46.31	39.60
Second Quarter	59.37	49.08	40.71	37.12
First Quarter	52.42	47.14	38.22	33.92

The Company established a practice of paying quarterly dividends at the end of fiscal 1990 and has paid dividends with respect to every quarter since that time. Quarterly dividends per share paid on the common stock for the two most recent fiscal years ended June 30, 2014 and 2013 are as follows:

	Fiscal 2014	Fiscal 2013
Fourth Quarter	\$ 0.220	\$ 0.200
Third Quarter	0.220	0.130
Second Quarter	0.200	0.115
First Quarter	0.200	0.115

The declaration and payment of any future dividends will continue to be at the discretion of our Board of Directors and will depend upon, among other factors, our earnings, capital requirements, contractual restrictions, and operating and financial condition. The Company does not currently foresee any changes in its dividend practices.

Information regarding the Company's equity compensation plans is set forth under the caption "Equity Compensation Plan Information" in the Company's definitive Proxy Statement and is incorporated herein by reference.

On August 15, 2014, there were approximately 55,000 holders of the Company's common stock. On that same date the last sale price of the common shares as reported on NASDAQ was \$56.44 per share.

### Issuer Purchases of Equity Securities

The following shares of the Company were repurchased during the quarter ended June 30, 2014:

	Total Number of Shares Purchased <sup>(1)</sup>	Average Price of Share	Total Number of Shares Purchased as Part of Publicly Announced Plans <sup>(1)</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plans <sup>(2)</sup>
April 1 - April 30, 2014	—	\$ —	—	7,137,063
May 1 - May 31, 2014	1,073,046	57.39	1,073,046	6,064,017
June 1 - June 30, 2014	867,960	58.90	867,960	5,196,057
<b>Total</b>	<b>1,941,006</b>	<b>58.06</b>	<b>1,941,006</b>	<b>5,196,057</b>

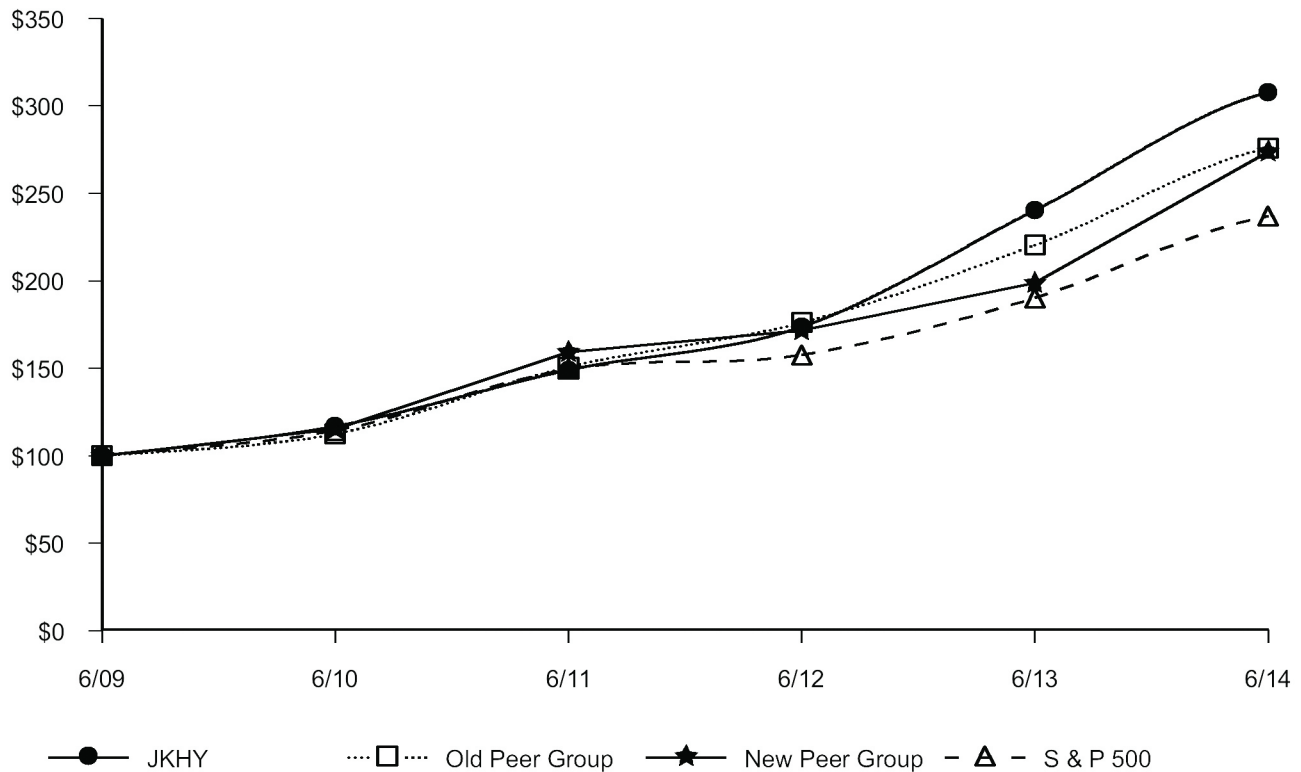
<sup>(1)</sup> 1,941,006 shares were purchased through a publicly announced repurchase plan. There were no shares surrendered to the Company to satisfy tax withholding obligations in connection with employee restricted stock awards.

<sup>(2)</sup> Stock repurchase authorizations approved by the Company's Board of Directors as of May 3, 2013 was 25.0 million shares. These authorizations have no specific dollar or share price targets and no expiration dates.

## PERFORMANCE GRAPH

The following chart presents a comparison for the five-year period ended June 30, 2014, of the market performance of the Company's common stock with the S & P 500 Index and an index of peer companies selected by the Company:

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN**  
Among Jack Henry & Associates, Inc., the S&P 500 Index, and a Peer Group



The following information depicts a line graph with the following values:

	2009	2010	2011	2012	2013	2014
<b>JKHY</b>	100.00	116.85	148.92	173.67	240.25	307.57
<b>Old Peer Group</b>	100.00	112.45	150.77	176.12	220.42	275.73
<b>New Peer Group</b>	100.00	115.50	159.31	171.86	198.72	273.95
<b>S &amp; P 500</b>	100.00	114.43	149.55	157.70	190.18	236.98

This comparison assumes \$100 was invested on June 30, 2009, and assumes reinvestments of dividends. Total returns are calculated according to market capitalization of peer group members at the beginning of each period. Peer companies selected are in the business of providing specialized computer software, hardware and related services to financial institutions and other businesses. In fiscal 2014, we changed our peer group of companies used for this analysis to maintain alignment with peer companies selected by our Compensation Committee for use in determining compensation for executive management.

Companies in the New Peer Group are ACI Worldwide, Inc., Bottomline Technology, Inc., Broadridge Financial Solutions, Cardtronics, Inc., Convergys Corp., Corelogic, Inc., DST Systems, Inc., Euronet Worldwide, Inc., Fair Isaac Corp., Fidelity National Information Services, Inc., Fiserv, Inc., Global Payments, Inc., Heartland Payment Systems, Inc., Micros Systems, Inc., Moneygram International, Inc., SS&C Technologies Holdings, Inc., Total Systems Services, Inc., Tyler Technologies, Inc., Verifone Systems, Inc., and WEX, Inc..

Companies in the Old Peer Group are ACI Worldwide, Inc., Bottomline Technology, Inc., Cerner Corp., DST Systems, Inc., Euronet Worldwide, Inc., Fair Isaac Corp., Fidelity National Information Services, Inc., Fiserv, Inc., SEI Investments Company, Telecommunications Systems, Inc., and Tyler Technologies Corp.

## SELECTED FINANCIAL DATA

**Selected Financial Data**  
(In Thousands, Except Per Share Data)

	YEAR ENDED JUNE 30,				
	2014	2013	2012	2011	2010
<b><u>Income Statement Data</u></b>					
Revenue (1)	\$ 1,210,053	\$ 1,129,386	\$ 1,027,109	\$ 966,897	\$ 836,586
Income from continuing operations	\$ 201,136	\$ 176,645	\$ 154,984	\$ 137,471	\$ 117,870
Basic net income per share, continuing operations	\$ 2.37	\$ 2.05	\$ 1.79	\$ 1.60	\$ 1.39
Diluted net income per share, continuing operations	\$ 2.36	\$ 2.04	\$ 1.78	\$ 1.59	\$ 1.38
Dividends declared per share	\$ 0.84	\$ 0.56	\$ 0.44	\$ 0.40	\$ 0.36
<b><u>Balance Sheet Data</u></b>					
Working capital	\$ (44,435)	\$ 35,627	\$ 66,406	\$ (26,561)	\$ (51,283)
Total assets	\$ 1,624,292	\$ 1,629,155	\$ 1,619,492	\$ 1,505,797	\$ 1,560,560
Long-term debt	\$ 3,729	\$ 7,366	\$ 106,166	\$ 127,939	\$ 272,732
Stockholders' equity	\$ 1,038,161	\$ 1,072,169	\$ 983,056	\$ 879,776	\$ 750,372

(1) Revenue includes license sales, support and service revenues, and hardware sales, less returns and allowances.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following section provides management's view of the financial condition and results of operations and should be read in conjunction with the Selected Financial Data, the audited Consolidated Financial Statements, and related notes included elsewhere in this report.

### OVERVIEW

Jack Henry & Associates, Inc. (JHA) is headquartered in Monett, Missouri, employs approximately 5,600 associates nationwide, and is a leading provider of technology solutions and payment processing services primarily for financial services organizations. Its solutions serve nearly 11,300 customers and are marketed and supported through three primary brands. Jack Henry Banking® supports banks ranging from community to mid-tier, multi-billion dollar institutions with information and transaction processing solutions. Symitar® is a leading provider of information and transaction processing solutions for credit unions of all sizes. ProfitStars® provides specialized products and services that enable financial institutions of every asset size and charter, and diverse corporate entities outside the financial services industry, to mitigate and control risks, optimize revenue and growth opportunities, and contain costs. JHA's integrated solutions are available for in-house installation and outsourced and hosted delivery.

Each of our brands share the fundamental commitment to provide high quality business solutions, service levels that consistently exceed customer expectations, integration of solutions and practical new technologies. The quality of our solutions, our high service standards, and the fundamental way we do business typically foster long-term customer relationships, attract prospective customers, and have enabled us to capture substantial market share.

Through internal product development, disciplined acquisitions, and alliances with companies offering niche solutions that complement our proprietary solutions, we regularly introduce new products and services and generate new cross-sales opportunities across our three business brands. We provide compatible computer hardware for our in-house installations and secure processing environments for our outsourced and hosted solutions. We perform data conversions, software implementations, initial and ongoing customer training, and ongoing customer support services.

Our primary competitive advantage is customer service. Our support infrastructure and strict standards provide service levels we believe to be the highest in the markets we serve and generate high levels of customer satisfaction and retention. We consistently measure customer satisfaction using comprehensive annual surveys and random surveys we

receive in our everyday business. Dedicated surveys are also used to grade specific aspects of our customer experience, including product implementation, education, and consulting services.

The majority of our revenue is derived from recurring outsourcing fees and transaction processing fees that predominantly have contract terms of five years or greater at inception. Support and service fees also include in-house maintenance fees on primarily annual contract terms. Less predictable software license fees and hardware sales complement our primary revenue sources. We continually seek opportunities to increase revenue while at the same time containing costs to expand margins.

During the last five fiscal years, our revenues have grown from \$836,586 in fiscal 2010 to \$1,210,053 in fiscal 2014. Income from continuing operations has grown from \$117,870 in fiscal 2010 to \$201,136 in fiscal 2014. This growth has resulted primarily from internal expansion.

We have two reportable segments: bank systems and services and credit union systems and services. The respective segments include all related license, support and service, and hardware sales along with the related cost of sales.

We continue to focus on our objective of providing the best integrated solutions, products and customer service to our clients. We are cautiously optimistic regarding ongoing economic improvement and expect our clients to continue investing in our products and services to improve their operating efficiencies and performance. We anticipate that consolidation within the financial services industry will continue. Regulatory conditions and legislation such as the Dodd-Frank Wall Street Reform and Consumer Protection Act will continue to impact the financial services industry and could motivate some financial institutions to postpone discretionary spending.

A detailed discussion of the major components of the results of operations follows. All dollar amounts are in thousands and discussions compare fiscal 2014 to fiscal 2013 and compare fiscal 2013 to fiscal 2012.

## RESULTS OF OPERATIONS

### FISCAL 2014 COMPARED TO FISCAL 2013

In fiscal 2014, revenues increased 7% or \$80,667 compared to the prior year due primarily to strong growth in all components of support and service revenues, particularly our electronic payment services and our outsourcing services. The growth in revenue and the Company's continued focus on cost management continued to drive up gross margins, which has resulted in a 9% increase in gross profit.

Operating expenses decreased 2% for the year mainly due to \$12,436 of expenses in the prior year related to the impact of Hurricane Sandy flooding on our Lyndhurst, New Jersey item processing center. Provision for income taxes increased over the prior year. The prior year provision for income tax was low due to the tax impact of the Lyndhurst, New Jersey expenses and the release of previously unrecognized tax benefits. Increased revenue and gross margin, coupled with the above changes, resulted in a combined 14% increase in net income for fiscal 2014.

We move into fiscal 2015 following record revenue achieved in fiscal 2014. Significant portions of our business continue to come from recurring revenue and our healthy sales pipeline is also encouraging. Our customers continue to face regulatory and operational challenges which our products and services address, and in these times they have an even greater need for our solutions that directly address institutional profitability and efficiency. Our strong balance sheet, access to extensive lines of credit, the strength of our existing product line and an unwavering commitment to superior customer service position us well to address current and future opportunities.

## REVENUE

License Revenue	Year Ended June 30,		% Change
	<u>2014</u>	<u>2013</u>	
License	\$ 53,009	\$ 54,818	(3)%
Percentage of total revenue	4%	5%	

License revenue represents the sale and delivery of application software systems contracted with us by the customer. We license our proprietary software products under standard license agreements that typically provide the customer with a non-exclusive, non-transferable right to use the software on a single computer and for a single financial institution.



License revenue decreased slightly due mainly to a decrease in license revenue from complementary products, particularly our remote deposit capture suite of products.

While license fees will fluctuate, recent trends indicate that our customers are increasingly electing to contract for our products via outsourced delivery rather than a traditional license as our outsourced delivery does not require an up-front capital investment in license fees. We expect this trend to continue in the long term.

#### Support and Service Revenue

	Year Ended June 30,		% Change
	<u>2014</u>	<u>2013</u>	
Support and service	\$ 1,098,386	\$ 1,015,211	8 %
Percentage of total revenue	91 %	90 %	

	Year over Year	
	\$ Change	% Change
In-House Support & Other Services	\$ 14,851	5 %
Electronic Payment Services	37,158	9 %
Outsourcing Services	21,408	10 %
Implementation Services	9,758	11 %
<b>Total Increase</b>	<b>\$ 83,175</b>	

Support and service revenues are generated from annual support to assist the customer in operating their systems and to enhance and update the software, electronic payment services, outsourced data processing services and implementation services (including conversion, installation, configuration and training). There was growth in all support and service revenue components in fiscal 2014.

In-house support and other services revenue increased due to annual maintenance fee increases for both core and complementary products as our customers' assets grow and due to maintenance fees associated with new software implemented.

Electronic payment services continue to experience the largest dollar growth. The revenue increases are attributable to strong performance across debit/credit card transaction processing services, online bill payment services and ACH processing.

Outsourcing services for banks and credit unions continue to drive revenue growth as customers continue to show a preference for outsourced delivery of our solutions. We expect the trend towards outsourced product delivery to benefit outsourcing services revenue for the foreseeable future. Revenues from outsourcing services are typically earned under multi-year service contracts and therefore provide a long-term stream of recurring revenues.

Implementation services revenue increased due mainly to increased implementations of our credit union core products.

#### Hardware Revenue

	Year Ended June 30,		% Change
	<u>2014</u>	<u>2013</u>	
Hardware	\$ 58,658	\$ 59,357	(1) %
Percentage of total revenue	5 %	5 %	

The Company has entered into remarketing agreements with several hardware manufacturers under which we sell computer hardware, hardware maintenance and related services to our customers. Revenue related to hardware sales is recognized when the hardware is shipped to our customers.

Hardware revenue decreased slightly. Although there will be continuing quarterly fluctuations, we expect there to be an overall decreasing trend in hardware sales due to the change in sales mix towards outsourcing contracts, which typically do not include hardware, and the general deflationary trend of computer prices.

#### COST OF SALES AND GROSS PROFIT

Cost of license represented the cost of software from third party vendors through remarketing agreements associated with license fee revenue. These costs were recognized when license revenue was recognized. Cost of support and service represented costs associated with conversion and implementation efforts, ongoing support for our in-house customers, operation of our data and item centers providing services for our outsourced customers, electronic payment services and direct operating costs. These costs were recognized as they were incurred. Cost of hardware consisted of the direct and indirect costs of purchasing the equipment from the manufacturers and delivery to our customers. These costs were recognized at the same time as the related hardware revenue was recognized. Ongoing operating costs to provide support to our customers were recognized as they were incurred.

	Year Ended June 30,		% Change
	<u>2014</u>	<u>2013</u>	
<b>Cost of License</b>	\$ 4,273	\$ 4,824	(11) %
Percentage of total revenue	<1%	<1%	
License Gross Profit	\$ 48,736	\$ 49,994	(3) %
Gross Profit Margin	92 %	91 %	
<b>Cost of support and service</b>	\$ 643,443	\$ 603,920	7 %
Percentage of total revenue	53 %	53 %	
Support and Service Gross Profit	\$ 454,943	\$ 411,291	11 %
Gross Profit Margin	41 %	41 %	
<b>Cost of hardware</b>	\$ 43,708	\$ 43,650	— %
Percentage of total revenue	4 %	4 %	
Hardware Gross Profit	\$ 14,950	\$ 15,707	(5) %
Gross Profit Margin	25 %	26 %	
<b>TOTAL COST OF SALES</b>	\$ 691,424	\$ 652,394	6 %
Percentage of total revenue	57 %	58 %	
<b>TOTAL GROSS PROFIT</b>	\$ 518,629	\$ 476,992	9 %
Gross Profit Margin	43 %	42 %	

Cost of license consists of the direct costs of third party software. Sales of third party software products decreased slightly compared to last year, causing a slight increase in gross profit margins.

Gross profit margins in support and service remained consistent with the prior year.

In general, changes in cost of hardware trend consistently with hardware revenue. For the fiscal year, margins are slightly lower due to decreased sales of higher margin hardware upgrade products.

## OPERATING EXPENSES

### Selling and Marketing

	Year Ended June 30,		% Change
	<u>2014</u>	<u>2013</u>	
Selling and marketing	\$ 86,570	\$ 81,619	6 %
Percentage of total revenue	7 %	7 %	

Dedicated sales forces, inside sales teams, technical sales support teams and channel partners conduct our sales efforts for our two reportable segments, and are overseen by regional sales managers. Our sales executives are responsible for pursuing lead generation activities for new core customers. Our account executives nurture long-term relationships with our client base and cross sell our many complementary products and services.

Selling and marketing expenses for the year increased mainly due to higher commission expenses and a general increase in sales headcount and related salaries. This is in line with increased sales volume of long term service contracts on which commissions are paid as a percentage of total revenue.

### Research and Development

	Year Ended June 30,		% Change
	<u>2014</u>	<u>2013</u>	
Research and development	\$ 66,748	\$ 63,202	6 %
Percentage of total revenue	6 %	6 %	

We devote significant effort and expense to develop new software, service products and continually upgrade and enhance our existing offerings. Typically, we upgrade our various core and complementary software applications once per year. We believe our research and development efforts are highly efficient because of the extensive experience of our research and development staff and because our product development is highly customer-driven.

Research and development expenses increased primarily due to increased headcount and related salaries.

<b>General and Administrative</b>	Year Ended June 30,		% Change
	<u>2014</u>	<u>2013</u>	
General and administrative	\$ 53,312	\$ 66,624	(20) %
Percentage of total revenue	4 %	6 %	

General and administrative costs include all expenses related to finance, legal, human resources, plus all administrative costs.

General and administrative expenses in the current year includes \$2,900 of insurance recoveries of costs related to the impact of Hurricane Sandy flooding on our Lyndhurst, New Jersey item processing center, whereas the prior year includes \$12,436 of expenses related to the same event. General and administrative expenses, excluding the Lyndhurst expenses and subsequent insurance recoveries, increased slightly year-over-year due to additional headcount and related salaries.

<b>INTEREST INCOME AND EXPENSE</b>	Year Ended June 30,		% Change
	<u>2014</u>	<u>2013</u>	
Interest Income	\$ 377	\$ 640	(41) %
Interest Expense	\$ (1,105)	\$ (6,337)	(83) %

Interest income fluctuated due to changes in invested balances and yields on invested balances. Interest expense decreased due to full repayment of our term loan in the fourth quarter of fiscal 2013.

### PROVISION FOR INCOME TAXES

The provision for income taxes was \$110,135 or 35.4% of income before income taxes in fiscal 2014 compared with \$83,205 or 32.0% of income before income taxes in fiscal 2013. The increase in the effective tax rate was primarily due to the recognition of previously unrecognized tax benefits during the prior year quarter following the close of an Internal Revenue Service audit of fiscal years 2010 and 2011, as well as the retroactive extension of the research and experimentation credit during the prior year quarter.

### NET INCOME

Net income increased from \$176,645, or \$2.04 per diluted share, in fiscal 2013 to \$201,136, or \$2.36 per diluted share, in fiscal 2014.

### FISCAL 2013 COMPARED TO FISCAL 2012

In fiscal 2013, revenues increased 10% or \$102,277 compared to the prior year due primarily to strong growth in all components of support and service revenues, particularly our electronic payment services and our outsourcing services. The growth in revenue and the Company's continued focus on cost management continued to drive up gross margins, which resulted in a 13% increase in gross profit.

Operating expenses increased 13% for the year mainly due to expenses related to the impact of widespread flooding caused by Hurricane Sandy on our Lyndhurst, New Jersey item processing center. Expenses related to this event totaled \$12,475 for fiscal 2013, net of \$2,390 insurance recoveries received in the year.

Increased revenue and gross margins, partially offset by increased operating expenses, resulted in a combined 14% increase in net income for fiscal 2013.

### REVENUE

<b>License Revenue</b>	Year Ended June 30,		% Change
	<u>2013</u>	<u>2012</u>	
License	\$ 54,818	\$ 54,811	<1%
Percentage of total revenue	5 %	5 %	

License revenue represents the sale and delivery of application software systems contracted with us by the customer. We license our proprietary software products under standard license agreements that typically provide the customer with a non-exclusive, non-transferable right to use the software on a single computer and for a single financial institution.

License revenue remained consistent with the prior year due to strong results from our core and complementary Credit Union products being offset by reduced revenue from our Alogent® products (our suite of deposit and image capture products targeted at large financial institutions) which reduced from a particularly strong prior year.

While license fees will fluctuate, recent trends indicate that our customers are increasingly electing to contract for our products via outsourced delivery rather than a traditional license as our outsourced delivery does not require an up-front capital investment in license fees. We expect this trend to continue in the long term.

### Support and Service Revenue

	Year Ended June 30,		% Change
	<u>2013</u>	<u>2012</u>	
Support and Service	\$ 1,015,211	\$ 909,176	12 %
Percentage of total revenue	90 %	89 %	
<u>Year over Year Change</u>			
	<u>\$ Change</u>	<u>% Change</u>	
In-House Support & Other Services	\$ 12,677	4 %	
Electronic Payment Services	58,052	17 %	
Outsourcing Services	23,017	12 %	
Implementation Services	12,289	17 %	
<b>Total Increase</b>	<b>\$ 106,035</b>		

Support and service revenues are generated from annual support to assist the customer in operating their systems and to enhance and update the software, electronic payment services, outsourced data processing services and implementation services (including conversion, installation, configuration and training). There was growth in all components of support and service revenue in fiscal 2013.

In-house support and other services revenue increased due to annual maintenance fee increases as our customers' assets grew. Revenue from our complementary products also grew as the total number of supported in-house products grew.

Electronic payment services continued to experience the largest growth. The revenue increases were attributable to strong performance across debit/credit card processing services, online bill payment services and ACH processing.

Outsourcing services for banks and credit unions continued to drive revenue growth as customers continue to show a preference for outsourced delivery of our solutions. Revenues from outsourcing services are typically earned under multi-year service contracts and therefore provide a long-term stream of recurring revenues.

Implementation services revenue increased due mainly to increased implementations of our core Banking and Credit Union platform products and related complementary products, coupled with higher merger conversion revenues from our core banking platform and outsourcing products.

### Hardware Revenue

	Year Ended June 30,		% Change
	<u>2013</u>	<u>2012</u>	
Hardware	\$ 59,357	\$ 63,122	(6) %
Percentage of total revenue	5 %	6 %	

The Company has entered into remarketing agreements with several hardware manufacturers under which we sell computer hardware, hardware maintenance and related services to our customers. Revenue related to hardware sales is recognized when the hardware is shipped to our customers.

Hardware revenue decreased due to a decrease in the number of third party hardware systems and components delivered.

### COST OF SALES AND GROSS PROFIT

Cost of license represented the cost of software from third party vendors through remarketing agreements associated with license fee revenue. These costs were recognized when license revenue was recognized. Cost of support and service represented costs associated with conversion and implementation efforts, ongoing support for our in-house customers, operation of our data and item centers providing services for our outsourced customers, electronic payment services and direct operating costs. These costs were recognized as they were incurred. Cost of hardware consisted of the direct and indirect costs of purchasing the equipment from the manufacturers and delivery to our customers. These costs were recognized at the same time as the related hardware revenue was recognized. Ongoing operating costs to provide support to our customers were recognized as they were incurred.

	Year Ended June 30,		% Change
	2013	2012	
<b>Cost of License</b>	\$ 4,824	\$ 6,111	(21) %
Percentage of total revenue	<1%	1 %	
License Gross Profit	\$ 49,994	\$ 48,700	3 %
Gross Profit Margin	91 %	89 %	
<b>Cost of Support and Service</b>	\$ 603,920	\$ 551,285	10 %
Percentage of total revenue	53 %	54 %	
Support and Service Gross Profit	\$ 411,291	\$ 357,891	15 %
Gross Profit Margin	41 %	39 %	
<b>Cost of Hardware</b>	\$ 43,650	\$ 45,983	(5) %
Percentage of total revenue	4 %	4 %	
Hardware Gross Profit	\$ 15,707	\$ 17,139	(8) %
Gross Profit Margin	26 %	27 %	
<b>TOTAL COST OF SALES</b>	\$ 652,394	\$ 603,379	8 %
Percentage of total revenue	58 %	59 %	
<b>TOTAL GROSS PROFIT</b>	\$ 476,992	\$ 423,730	13 %
Gross Profit Margin	42 %	41 %	

Cost of license consisted of the direct costs of third party software. Sales of third party software products decreased compared to the prior year, leading to lower related costs and slightly increased gross profit margins.

Gross profit margins in support and service increased due to economies of scale realized from increased revenues, particularly in electronic payment services.

In general, changes in cost of hardware trended consistently with hardware revenue. For the fiscal year, margins decreased slightly, impacted by reduced sales of higher margin products related to hardware upgrades.

## OPERATING EXPENSES

### Selling and Marketing

	Year Ended June 30,		% Change
	2013	2012	
Selling and marketing	\$ 81,619	\$ 76,500	7 %
Percentage of total revenue	7 %	7 %	

Dedicated sales forces, inside sales teams, technical sales support teams and channel partners conducted our sales efforts for our two reportable segments, and were overseen by regional sales managers. Our sales executives were responsible for pursuing lead generation activities for new core customers. Our account executives nurtured long-term relationships with our client base and cross sold our many complementary products and services.

Selling and marketing expenses for the year increased mainly due to higher commission expenses. This is in line with increased sales volume of long term service contracts on which commissions were paid as a percentage of total revenue.

### Research and Development

	Year Ended June 30,		% Change
	2013	2012	
Research and development	\$ 63,202	\$ 60,876	4 %
Percentage of total revenue	6 %	6 %	

We devote significant effort and expense to develop new software, service products and continually upgrade and enhance our existing offerings. Typically, we upgrade our various core and complementary software applications once per year. We believe our research and development efforts are highly efficient because of the extensive experience of our research and development staff and because our product development is highly customer-driven.

Research and development expenses increased primarily due to increased salary costs.

## General and Administrative

	Year Ended June 30,		% Change
	2013	2012	
General and administrative	\$ 66,624	\$ 50,119	33 %
Percentage of total revenue	6 %	5 %	

General and administrative costs included all expenses related to finance, legal, human resources, plus all administrative costs. General and administrative expenses increased compared to the prior year due mainly to \$12,475 of expenses, net of \$2,390 insurance recoveries received, related to the impact of widespread flooding caused by Hurricane Sandy on our Lyndhurst, New Jersey item processing center.

## INTEREST INCOME AND EXPENSE

	Year Ended June 30,		% Change
	2013	2012	
Interest Income	\$ 640	\$ 1,176	(46) %
Interest Expense	\$ (6,337)	\$ (5,743)	10 %

Interest income was unusually high in the prior year, mainly from contractual interest income on previously uncollected deconversion revenues. Interest expense increased from the prior year due to costs related to the early payment of the term loan during fiscal 2013.

## PROVISION FOR INCOME TAXES

The provision for income taxes was \$83,205 or 32.0% of income before income taxes in fiscal 2013 compared with \$76,684 or 33.1% of income before income taxes in fiscal 2012. The decrease in the effective tax rate was primarily due to the completion of the Internal Revenue Service audit of the tax returns for the fiscal years June 30, 2010 and 2011 which resulted in the recognition of previously-unrecognized tax benefits, and the retroactive extension of the Research and Experimentation Tax Credit through December 31, 2013.

## NET INCOME

Net income increased from \$154,984, or \$1.78 per diluted share in fiscal 2012 to \$176,645, or \$2.04 per diluted share in fiscal 2013.

## REPORTABLE SEGMENT DISCUSSION

The Company is a provider of integrated computer systems that perform data processing (available for in-house installations or outsourced services) for banks and credit unions. The Company's operations are classified into two reportable segments: bank systems and services ("Bank") and credit union systems and services ("Credit Union"). The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenue.

### Bank Systems and Services

	2014	% Change	2013	% Change	2012
Revenue	\$ 912,976	8 %	\$ 848,058	9 %	\$ 778,455
Gross profit	\$ 384,070	8 %	\$ 354,373	10 %	\$ 321,515
Gross profit margin	42 %		42 %		41 %

In fiscal 2014, revenue increased 8% overall in the Bank systems and services reportable segment compared to the prior year. The increase was due mainly to increased support and service revenue. Within support and service revenue, the increase was driven by 12% year-over-year growth in electronic payment services revenues from transaction processing and a 10% increase in outsourcing services revenue. Gross profit margins remain consistent year-over-year.

In fiscal 2013, revenue increased 9% overall in the Bank systems and services reportable segment compared to the prior year. The increase was due mainly to 17% growth in electronic transaction processing services and an 11% increase in outsourcing services. The slight increase in margin was driven mainly by increased support and service margins due to economies of scale realized from increased revenues, particularly in electronic payment services.



## Credit Union Systems and Services

	2014	% Change	2013	% Change	2012
Revenue	\$ 297,077	6 %	\$ 281,328	13 %	\$ 248,654
Gross profit	\$ 134,559	10 %	\$ 122,619	20 %	\$ 102,215
Gross profit margin	45 %		44 %		41 %

In fiscal 2014, revenue in the Credit Union segment increased 6% over the prior year, driven by all components of support & service revenue. In particular, electronic payment services increased due to the continuing growth of our transaction processing and debit/credit card processing services and in-house maintenance revenues also increased. Gross profit margins for the Credit Union segment increased mainly due to economies of scale realized from growing transaction volume in our payment processing services.

In fiscal 2013, revenue in the Credit Union systems and services reportable segment increased in all three of our revenue areas (license, support & service and hardware). Support & service revenues grew 13% through increases in all components, particularly electronic payment services due to the continuing growth of our transaction processing and debit/credit card processing services and outsourcing services. Gross profit margins for the Credit Union segment increased mainly due to increased license revenue from licenses with no related costs and increased support and service margins due to economies of scale realized.

## LIQUIDITY AND CAPITAL RESOURCES

We have historically generated positive cash flow from operations and have generally used funds generated from operations and short-term borrowings on our revolving credit facility to meet capital requirements. We expect this trend to continue in the future.

The Company's cash and cash equivalents decreased to \$70,377 at June 30, 2014 from \$127,905 at June 30, 2013. The decrease from June 30, 2013 is primarily due to the Banno acquisition and ongoing purchases of treasury stock.

The following table summarizes net cash from operating activities in the statement of cash flows:

	Year Ended June 30,	
	2014	2013
Net income	\$ 201,136	\$ 176,645
Non-cash expenses	135,704	133,334
Change in receivables	7,498	(12,739)
Change in deferred revenue	15,072	8,597
Change in other assets and liabilities	(17,751)	3,337
Net cash provided by operating activities	\$ 341,659	\$ 309,174

Cash provided by operating activities increased 11% compared to last year. Cash from operations is primarily used to repay debt, pay dividends, repurchase stock and other capital expenditures.

Cash used in investing activities for the fiscal year ended June 30, 2014 totaled \$131,780 and included capital expenditures on facilities and equipment of \$33,185, which mainly included the purchase of aircraft and computer equipment. Other uses of cash included \$27,894 of payments for the acquisition of Banno, \$62,194 for the development of software and \$16,288 for the purchase and development of internal use software. These expenditures have been partially offset by \$7,781 proceeds received primarily from sale of aircraft. Cash used in investing activities for the fiscal year ended June 30, 2013 totaled \$97,244 and included capital expenditures on facilities and equipment totaled \$46,256, which included spending on our online bill payment data center migration and an aircraft purchase. Other uses of cash included \$51,332 for the development of software and \$186 for the acquisition of customer contracts. These expenditures were partially offset by \$530 proceeds from sale of assets.

Financing activities used cash of \$267,407 during the fiscal year ended June 30, 2014. Cash used was mainly dividends paid to stockholders of \$71,251, \$175,699 for the purchase of treasury shares, and repayments of capital leases of \$22,158. Cash used was partially offset by \$1,701 net proceeds from the issuance of stock and tax related to stock-based compensation. During the fourth quarter, the Company also borrowed \$25,000 against its revolving line of credit and the full amount of the borrowing was repaid in the same period. Financing activities used cash of \$241,338 during fiscal 2013. There were cash outflows to repay long and short term borrowings on our credit facilities of \$145,180, dividends paid to stockholders of \$48,202 and repurchases of treasury shares of \$58,126. Cash used was partially offset by \$10,170 net proceeds from the issuance of stock and tax related to stock-based compensation.

At June 30, 2014, the Company had negative working capital of \$44,435; however, the largest component of current liabilities was deferred revenue of \$312,002, which primarily relates to our annual in-house maintenance agreements. The cash outlay necessary to provide the services related to these deferred revenues is significantly less than this recorded balance. In addition, we continue to have access to unused lines of credit in excess of \$150,000 and continue to generate substantial cash inflows from operations. Therefore, we do not anticipate any liquidity problems arising from this condition.

The Company generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures in the fiscal year were made primarily for additional equipment and the improvement of existing facilities. These additions were funded from cash generated by operations. At June 30, 2014, the Company had \$24,223 of purchase commitments related to property and equipment. We anticipate that these commitments will be funded by cash generated by operations.

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or short-term borrowings on its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At June 30, 2014, there were 19,795 shares in treasury stock and the Company had the remaining authority to repurchase up to 5,196 additional shares. The total cost of treasury shares at June 30, 2014 is \$577,781. During fiscal 2014, the Company repurchased 3,041 treasury shares for \$175,699. At June 30, 2013, there were 16,754 shares in treasury stock and the Company had authority to repurchase up to 8,237 additional shares.

On August 22, 2014, the Company's Board of Directors declared a cash dividend of \$0.22 per share on its common stock, payable on September 26, 2014 to shareholders of record on September 5, 2014. Current funds from operations are adequate for this purpose. The Board has indicated that it plans to continue paying dividends as long as the Company's financial picture continues to be favorable.

#### *Capital leases*

The Company has entered into various capital lease obligations for the use of certain computer equipment. Long term capital lease obligations were entered into of which \$7,757 remains outstanding at June 30, 2014 of which \$4,028 will be maturing within the next twelve months. The Company also has short term capital lease obligations totaling \$1,379 at June 30, 2014.

#### *Other lines of credit*

The long term revolving credit facility allows for borrowings of up to \$150,000, which may be increased by the Company at any time until maturity to \$250,000. The credit facility bears interest at a variable rate equal to (a) a rate based on LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate or (c) LIBOR plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The credit facility is secured by pledges of capital stock of certain subsidiaries of the Company and also guaranteed by certain subsidiaries of the Company. The credit facility is subject to various financial covenants that require the Company to maintain certain financial ratios as defined in the agreement. As of June 30, 2014, the Company was in compliance with all such covenants. The revolving loan terminates June 4, 2015 and at June 30, 2014, there was no outstanding revolving loan balance.

The Company renewed an unsecured bank credit line on March 3, 2014 which provides for funding of up to \$5,000 and bears interest at the prime rate less 1%. The credit line was renewed through April 30, 2017. At June 30, 2014, no amount was outstanding.

## **OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS**

At June 30, 2014, the Company's total off balance sheet contractual obligations were \$55,370. This balance consists of \$31,147 of long-term operating leases for various facilities and equipment which expire from 2015 to 2021 and \$24,223 of purchase commitments related to property and equipment. The contractual obligations table below excludes \$8,620 of liabilities for uncertain tax positions as we are unable to reasonably estimate the ultimate amount or timing of settlement.

Contractual obligations by period as of June 30, 2014	Less than 1 year	1-3 years	3-5 years	More than 5 years	TOTAL
Operating lease obligations	\$ 7,851	\$ 14,024	\$ 7,469	\$ 1,803	\$ 31,147
Capital lease obligations	5,407	3,729	—	—	9,136
Purchase obligations	24,223	—	—	—	24,223
Total	<u>\$ 37,481</u>	<u>\$ 17,753</u>	<u>\$ 7,469</u>	<u>\$ 1,803</u>	<u>\$ 64,506</u>



## RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers in May 2014. The new standard will supersede much of the existing authoritative literature for revenue recognition. The standard and related amendments will be effective for the Company for its annual reporting period beginning July 1, 2017, including interim periods within that reporting period. Early application is not permitted. Entities are allowed to transition to the new standard by either recasting prior periods or recognizing the cumulative effect. The Company is currently evaluating the newly issued guidance, including which transition approach will be applied and the estimated impact it will have on our consolidated financial statements.

## CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The significant accounting policies are discussed in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, as well as disclosure of contingent assets and liabilities. We base our estimates and judgments upon historical experience and other factors believed to be reasonable under the circumstances. Changes in estimates or assumptions could result in a material adjustment to the consolidated financial statements.

We have identified several critical accounting estimates. An accounting estimate is considered critical if both: (a) the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment involved, and (b) the impact of changes in the estimates and assumptions would have a material effect on the consolidated financial statements.

### Revenue Recognition

We recognize revenue in accordance with generally accepted accounting principles and with guidance provided within Staff Accounting Bulletins issued by the Securities and Exchange Commission. The application of these pronouncements requires judgment, including whether a software arrangement includes multiple elements, whether any elements are essential to the functionality of any other elements, and whether vendor-specific objective evidence ("VSOE") of fair value exists for those elements. Customers receive certain elements of our products over time. Changes to the elements in a software arrangement or in our ability to identify VSOE for those elements could materially impact the amount of earned and unearned revenue reflected in the financial statements.

*License Fee Revenue.* For software license agreements that do not require significant modification or customization of the software, the Company recognizes software license revenue when persuasive evidence of an arrangement exists, delivery of the product has occurred, the license fee is fixed and determinable and collection is probable. The Company's software license agreements generally include multiple products and services or "elements." None of these elements alone are deemed to be essential to the functionality of the other elements. Generally accepted accounting principles require revenue earned on software arrangements involving multiple elements to be allocated to each element based on VSOE of fair value. Fair value is determined for license fees based upon the price charged when sold separately. When we determine that VSOE does not exist for one or more of the delivered elements of a software arrangement, but does exist for all of the undelivered elements, revenue is recognized following the residual method allowed by current accounting pronouncements. Under the residual method, a residual amount of the total arrangement fee is recognized as revenue for the delivered elements after the established fair value of all undelivered elements has been deducted.

*Support and Service Fee Revenue.* Implementation services are generally for installation, implementation, and configuration of our systems and for training of our customer's employees. These services are not considered essential to the functionality of the related software. VSOE of fair value is established by pricing used when these services are sold separately. Generally, revenue is recognized when services are completed. On certain larger implementations, revenue is recognized based on milestones during the implementation. Milestones are triggered by tasks completed or based on direct labor hours.

Maintenance support revenue is recognized pro-rata over the contract period, typically one year. VSOE of fair value is determined based on contract renewal rates.

Outsourced data processing services and electronic payment services revenues are recognized based on the fair value of individual elements in the month the transactions were processed or the services were rendered.

*Hardware Revenue:* Hardware revenue is recognized upon delivery to the customer, when title and risk of loss are transferred. In most cases, we do not stock in inventory the hardware products we sell, but arrange for third-party suppliers to drop-ship the products to our customers on our behalf. Some of our hardware revenues are derived under "arrangements" as defined within U.S. GAAP. To the extent hardware revenue is part of such an arrangement and is not deemed essential to

the functionality of any of the other elements to the arrangement, it is recognized based on VSOE of fair value at the time of delivery. The Company also remarkets maintenance contracts on hardware to our customers. Hardware maintenance revenue is recognized ratably over the agreement period.

### **Depreciation and Amortization Expense**

The calculation of depreciation and amortization expense is based on the estimated economic lives of the underlying property, plant and equipment and intangible assets, which have been examined for their useful life and determined that no impairment exists. We believe it is unlikely that any significant changes to the useful lives of our tangible and intangible assets will occur in the near term, but rapid changes in technology or changes in market conditions could result in revisions to such estimates that could materially affect the carrying value of these assets and the Company's future consolidated operating results. All long lived assets are tested for valuation and potential impairment on a scheduled annual basis.

### **Capitalization of software development costs**

We capitalize certain costs incurred to develop commercial software products. Significant estimates and assumptions include: determining the appropriate period over which to amortize the capitalized costs based on the estimated useful lives, estimating the marketability of the commercial software products and related future revenues, and assessing the unamortized cost balances for impairment. The appropriate amortization period is based on estimates of future revenues from sales of the products. We consider various factors to project marketability and future revenues, including an assessment of alternative solutions or products, current and historical demand for the product, and anticipated changes in technology that may make the product obsolete. A significant change in an estimate related to one or more software products could result in a material change to our results of operations.

### **Estimates used to determine current and deferred income taxes**

We make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. We also must determine the likelihood of recoverability of deferred tax assets, and adjust any valuation allowances accordingly. Considerations include the period of expiration of the tax asset, planned use of the tax asset, and historical and projected taxable income as well as tax liabilities for the tax jurisdiction to which the tax asset relates. Valuation allowances are evaluated periodically and will be subject to change in each future reporting period as a result of changes in one or more of these factors. Also, liabilities for uncertain tax positions require significant judgment in determining what constitutes an individual tax position as well as assessing the outcome of each tax position. Changes in judgment as to recognition or measurement of tax positions can materially affect the estimate of the effective tax rate and consequently, affect our financial results.

### **Assumptions related to purchase accounting and goodwill**

We account for our acquisitions using the purchase method of accounting. This method requires estimates to determine the fair values of assets and liabilities acquired, including judgments to determine any acquired intangible assets such as customer-related intangibles, as well as assessments of the fair value of existing assets such as property and equipment. Liabilities acquired can include balances for litigation and other contingency reserves established prior to or at the time of acquisition, and require judgment in ascertaining a reasonable value. Third party valuation firms may be used to assist in the appraisal of certain assets and liabilities, but even those determinations would be based on significant estimates provided by us, such as forecast revenues or profits on contract-related intangibles. Numerous factors are typically considered in the purchase accounting assessments, which are conducted by Company professionals from legal, finance, human resources, information systems, program management and other disciplines. Changes in assumptions and estimates of the acquired assets and liabilities would result in changes to the fair values, resulting in an offsetting change to the goodwill balance associated with the business acquired.

As goodwill is not amortized, goodwill balances are regularly assessed for potential impairment. Such assessments require an analysis of future cash flow projections as well as a determination of an appropriate discount rate to calculate present values. Cash flow projections are based on management-approved estimates, which involve the input of numerous Company professionals from finance, operations and program management. Key factors used in estimating future cash flows include assessments of labor and other direct costs on existing contracts, estimates of overhead costs and other indirect costs, and assessments of new business prospects and projected win rates. The Company's most recent assessment indicates that no reporting units are currently at risk of impairment; however, significant changes in the estimates and assumptions used in purchase accounting and goodwill impairment testing could have a material effect on the consolidated financial statements.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk refers to the risk that a change in the level of one or more market prices, interest rates, indices, volatilities, correlations or other market factors such as liquidity, will result in losses for a certain financial instrument or group of financial instruments. We are currently exposed to credit risk on credit extended to customers and interest risk on outstanding debt. We do not currently use any derivative financial instruments. We actively monitor these risks through a variety of controlled procedures involving senior management.

Based on the controls in place and the credit worthiness of the customer base, we believe the credit risk associated with the extension of credit to our customers will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

We have no outstanding debt with variable interest rates as of June 30, 2014 and are therefore not currently exposed to interest risk.

## FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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### Financial Statement Schedules

There are no schedules included because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Jack Henry & Associates, Inc.  
Monett, Missouri

We have audited the accompanying consolidated balance sheets of Jack Henry & Associates, Inc. and subsidiaries (the "Company") as of June 30, 2014 and 2013, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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, such consolidated financial statements present fairly, in all material respects, the financial position of Jack Henry & Associates, Inc. and subsidiaries as of June 30, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2014, based on the criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated August 26, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP  
Kansas City, Missouri  
August 26, 2014

## MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Jack Henry & Associates, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. The 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 the Company's consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes policies and procedures pertaining to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and 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 Company's consolidated financial statements. All internal controls, no matter how well designed, have inherent limitations. Therefore, even where internal control over financial reporting is determined to be effective, it can provide only reasonable assurance. Projections of any evaluation of effectiveness to future periods are subject to the risk controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

As of the end of the Company's 2014 fiscal year, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined the Company's internal control over financial reporting as of June 30, 2014 was effective.

The Company's internal control over financial reporting as of June 30, 2014 has been audited by the Company's independent registered public accounting firm, as stated in their report appearing on the next page.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Jack Henry & Associates, Inc.

Monett, Missouri

We have audited the internal control over financial reporting of Jack Henry & Associates Inc. and subsidiaries (the "Company") as of June 30, 2014, based on criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company'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 Annual 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 by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the 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, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2014, based on the criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended June 30, 2014 of the Company, and our report dated August 26, 2014 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Kansas City, Missouri

August 26, 2014

**JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In Thousands, Except Per Share Data)

	Year Ended		
	June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>REVENUE</b>			
License	\$ 53,009	\$ 54,818	\$ 54,811
Support and service	1,098,386	1,015,211	909,176
Hardware	58,658	59,357	63,122
<b>Total revenue</b>	<u>1,210,053</u>	<u>1,129,386</u>	<u>1,027,109</u>
<b>COST OF SALES</b>			
Cost of license	4,273	4,824	6,111
Cost of support and service	643,443	603,920	551,285
Cost of hardware	43,708	43,650	45,983
<b>Total cost of sales</b>	<u>691,424</u>	<u>652,394</u>	<u>603,379</u>
<b>GROSS PROFIT</b>	<b>518,629</b>	476,992	423,730
<b>OPERATING EXPENSES</b>			
Selling and marketing	86,570	81,619	76,500
Research and development	66,748	63,202	60,876
General and administrative	53,312	66,624	50,119
<b>Total operating expenses</b>	<u>206,630</u>	<u>211,445</u>	<u>187,495</u>
<b>OPERATING INCOME</b>	<b>311,999</b>	265,547	236,235
<b>INTEREST INCOME (EXPENSE)</b>			
Interest income	377	640	1,176
Interest expense	(1,105)	(6,337)	(5,743)
<b>Total interest income (expense)</b>	<u>(728)</u>	<u>(5,697)</u>	<u>(4,567)</u>
<b>INCOME BEFORE INCOME TAXES</b>	<b>311,271</b>	259,850	231,668
<b>PROVISION FOR INCOME TAXES</b>	<b>110,135</b>	83,205	76,684
<b>NET INCOME</b>	<u>\$ 201,136</u>	<u>\$ 176,645</u>	<u>\$ 154,984</u>
Diluted earnings per share	\$ 2.36	\$ 2.04	\$ 1.78
Diluted weighted average shares outstanding	85,396	86,619	87,287
Basic earnings per share	\$ 2.37	\$ 2.05	\$ 1.79
Basic weighted average shares outstanding	84,866	86,040	86,599

See notes to consolidated financial statements



**JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(In Thousands, Except Share and Per Share Data)

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 70,377	\$ 127,905
Receivables, net	224,041	231,263
Income tax receivable	7,937	6,107
Prepaid expenses and other	59,824	59,244
Prepaid cost of product	22,202	23,366
<b>Total current assets</b>	<b>384,381</b>	<b>447,885</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>291,675</b>	<b>300,511</b>
<b>OTHER ASSETS:</b>		
Non-current prepaid cost of product	34,708	27,898
Computer software, net of amortization	160,391	132,612
Other non-current assets	38,121	30,411
Customer relationships, net of amortization	136,602	147,167
Other intangible assets, net of amortization	25,653	9,380
Goodwill	552,761	533,291
<b>Total other assets</b>	<b>948,236</b>	<b>880,759</b>
<b>Total assets</b>	<b>\$ 1,624,292</b>	<b>\$ 1,629,155</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 10,516	\$ 11,701
Accrued expenses	63,299	68,528
Deferred income tax liability	37,592	30,845
Notes payable and current maturities of long term debt	5,407	7,929
Deferred revenues	312,002	293,255
<b>Total current liabilities</b>	<b>428,816</b>	<b>412,258</b>
<b>LONG TERM LIABILITIES:</b>		
Non-current deferred revenues	8,985	11,342
Non-current deferred income tax liability	134,918	120,434
Debt, net of current maturities	3,729	7,366
Other long-term liabilities	9,683	5,586
<b>Total long term liabilities</b>	<b>157,315</b>	<b>144,728</b>
<b>Total liabilities</b>	<b>586,131</b>	<b>556,986</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock - \$1 par value; 500,000 shares authorized, none issued	—	—
Common stock - \$0.01 par value; 250,000,000 shares authorized; 102,429,926 shares issued at June 30, 2014; 101,993,808 shares issued at June 30, 2013	1,024	1,020
Additional paid-in capital	412,512	400,710
Retained earnings	1,202,406	1,072,521
Less treasury stock at cost 19,794,559 shares at June 30, 2014; 16,753,889 shares at June 30, 2013	(577,781)	(402,082)
<b>Total stockholders' equity</b>	<b>1,038,161</b>	<b>1,072,169</b>
<b>Total liabilities and equity</b>	<b>\$ 1,624,292</b>	<b>\$ 1,629,155</b>

See notes to consolidated financial statements

**JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(In Thousands, Except Share and Per Share Data)

	Year Ended June 30,		
	2014	2013	2012
<b>PREFERRED SHARES:</b>	—	—	—
<b>COMMON SHARES:</b>			
Shares, beginning of year	101,993,808	101,482,461	100,766,173
Shares issued for equity-based payment arrangements	344,372	405,270	594,428
Shares issued for Employee Stock Purchase Plan	91,746	106,077	121,860
Shares, end of year	<u>102,429,926</u>	<u>101,993,808</u>	<u>101,482,461</u>
<b>COMMON STOCK - PAR VALUE \$0.01 PER SHARE:</b>			
Balance, beginning of year	\$ 1,020	\$ 1,015	\$ 1,008
Shares issued for equity-based payment arrangements	3	4	6
Shares issued for Employee Stock Purchase Plan	1	1	1
Balance, end of year	<u>\$ 1,024</u>	<u>\$ 1,020</u>	<u>\$ 1,015</u>
<b>ADDITIONAL PAID-IN CAPITAL:</b>			
Balance, beginning of year	\$ 400,710	\$ 381,919	\$ 361,131
Shares issued upon exercise of stock options	606	6,771	10,998
Tax withholding related to share based compensation	(6,598)	(3,926)	(4,112)
Shares issued for Employee Stock Purchase Plan	4,283	3,699	3,321
Tax benefits from share-based compensation	3,420	3,632	3,631
Stock-based compensation expense	10,091	8,615	6,950
Balance, end of year	<u>\$ 412,512</u>	<u>\$ 400,710</u>	<u>\$ 381,919</u>
<b>RETAINED EARNINGS:</b>			
Balance, beginning of year	\$ 1,072,521	\$ 944,078	\$ 827,222
Net income	201,136	176,645	154,984
Dividends	(71,251)	(48,202)	(38,128)
Balance, end of year	<u>\$ 1,202,406</u>	<u>\$ 1,072,521</u>	<u>\$ 944,078</u>
<b>TREASURY STOCK:</b>			
Balance, beginning of year	\$ (402,082)	\$ (343,956)	\$ (309,585)
Purchase of treasury shares	(175,699)	(58,126)	(34,371)
Balance, end of year	<u>\$ (577,781)</u>	<u>\$ (402,082)</u>	<u>\$ (343,956)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>\$ 1,038,161</u>	<u>\$ 1,072,169</u>	<u>\$ 983,056</u>

See notes to consolidated financial statements.

**JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In Thousands)

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Income	\$ 201,136	\$ 176,645	\$ 154,984
Adjustments to reconcile net income from operations to net cash from operating activities:			
Depreciation	52,935	51,967	45,322
Amortization	54,836	48,374	49,297
Change in deferred income taxes	22,032	24,091	22,610
Excess tax benefits from stock-based compensation	(3,406)	(3,621)	(3,465)
Expense for stock-based compensation	10,091	8,615	6,950
(Gain)/loss on disposal of assets	(784)	3,908	1,198
Changes in operating assets and liabilities:			
Change in receivables	7,498	(12,739)	(10,795)
Change in prepaid expenses, prepaid cost of product and other	(15,386)	(4,430)	(22,962)
Change in accounts payable	(1,252)	(4,582)	3,488
Change in accrued expenses	(6,364)	7,774	7,770
Change in income taxes	5,251	4,575	9,257
Change in deferred revenues	15,072	8,597	896
<b>Net cash from operating activities</b>	<b>341,659</b>	<b>309,174</b>	<b>264,550</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payment for acquisitions, net of cash acquired	(27,894)	—	—
Capital expenditures	(33,185)	(46,256)	(41,441)
Proceeds from sale of assets	7,781	530	2,772
Customer contracts acquired	—	(186)	(720)
Internal use software	(16,288)	—	—
Computer software developed	(62,194)	(51,332)	(37,873)
Proceeds from investments	—	—	3,000
Purchase of investments	—	—	(2,000)
<b>Net cash from investing activities</b>	<b>(131,780)</b>	<b>(97,244)</b>	<b>(76,262)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Borrowings on credit facilities	25,000	—	—
Repayments on credit facilities	(47,158)	(145,180)	(35,280)
Purchase of treasury stock	(175,699)	(58,126)	(34,371)
Dividends paid	(71,251)	(48,202)	(38,128)
Excess tax benefits from stock-based compensation	3,406	3,621	3,465
Proceeds from issuance of common stock upon exercise of stock options	609	6,775	11,004
Minimum tax withholding payments related to share based compensation	(6,598)	(3,926)	(4,112)
Proceeds from sale of common stock, net	4,284	3,700	3,322
<b>Net cash from financing activities</b>	<b>(267,407)</b>	<b>(241,338)</b>	<b>(94,100)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (57,528)</b>	<b>\$ (29,408)</b>	<b>\$ 94,188</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>\$ 127,905</b>	<b>\$ 157,313</b>	<b>\$ 63,125</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 70,377</b>	<b>\$ 127,905</b>	<b>\$ 157,313</b>

See notes to consolidated financial statements

**JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(In Thousands, Except Per Share Amounts)

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE COMPANY

Jack Henry & Associates, Inc. and subsidiaries (“JHA” or the “Company”) is a provider of integrated computer systems and services that has developed and acquired a number of banking and credit union software systems. The Company's revenues are predominately earned by marketing those systems to financial institutions nationwide together with computer equipment (hardware), by providing the conversion and software implementation services for financial institutions to utilize JHA software systems, and by providing other related services. JHA also provides continuing support and services to customers using in-house or outsourced systems.

CONSOLIDATION

The consolidated financial statements include the accounts of JHA and all of its subsidiaries, which are wholly-owned, and all intercompany accounts and transactions have been eliminated.

PRIOR PERIOD RECLASSIFICATION

Certain amounts included within the consolidated statements of cash flows for the years ended June 30, 2013 and 2012 have been restated to correct an error related to the presentation of excess tax benefits from stock based compensation within cash flows from operating activities. Such correction adjusted the cash flow statement for 2013 and 2012 by presenting excess tax benefits from stock based compensation as a separate line item and increasing the change in income taxes by \$3,621 and \$3,465 for the respective periods. There was no change in total cash flows from operating, investing or financing activities.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company derives revenue from the following sources: license fees, support and service fees and hardware sales. There are no rights of return, condition of acceptance or price protection in the Company's sales contracts.

*License Fee Revenue:* For software license agreements that do not require significant modification or customization of the software, the Company recognizes software license revenue when persuasive evidence of an arrangement exists, delivery of the product has occurred, the license fee is fixed and determinable and collection is probable. The Company's software license agreements generally include multiple products and services or “elements.” None of these elements are deemed to be essential to the functionality of the other elements. Accounting principles generally accepted in the United States of America (“U.S. GAAP”) generally require revenue earned on software arrangements involving multiple elements to be allocated to each element based on vendor-specific objective evidence (“VSOE”) of fair value. Fair value is determined for license fees based upon the price charged when sold separately or, if the product is not yet sold separately, the price determined by management with relevant authority. In the event that we determine that VSOE does not exist for one or more of the delivered elements of a software arrangement, but does exist for all of the undelivered elements, revenue is recognized using the residual method. Under the residual method, a residual amount of the total arrangement fee is recognized as revenue for the delivered elements after the established fair value of all undelivered elements has been deducted.

Arrangements with customers that include significant customization, modification, or production of software are accounted for under contract accounting, with the revenue being recognized using the percentage-of-completion method.

*Support and Service Fee Revenue:* Implementation services are generally for installation, training, implementation, and configuration. These services are not considered essential to the functionality of the related software. VSOE of fair value is established by pricing used when these services are sold separately or, if the services are not yet sold separately, the price determined by management with relevant authority. Generally revenue is recognized when services are completed. On certain larger implementations, revenue is recognized based on milestones during the implementation. Milestones are triggered by tasks completed or based on direct labor hours.

Maintenance support revenue is recognized pro-rata over the contract period, typically one year. VSOE of fair value is determined based on contract renewal rates.

Outsourced data processing and ATM, debit card, and other transaction processing services revenue is recognized in the month the transactions are processed or the services are rendered.

*Hardware Revenue:* Hardware revenue is recognized upon delivery to the customer, when title and risk of loss are transferred. In most cases, we do not stock in inventory the hardware products we sell, but arrange for third-party suppliers to drop-ship the products to our customers on our behalf. To the extent hardware revenue is part of such an arrangement and is not deemed essential to the functionality of any of the other elements to the arrangement, it is recognized based on fair value at the time of delivery. The Company also remarkets maintenance contracts on hardware to our customers. Hardware maintenance revenue is recognized ratably over the agreement period.

Revenue-based taxes collected from customers and remitted to governmental authorities are presented on a net basis (i.e. excluded from revenues).

#### PREPAID COST OF PRODUCT

Costs for remarketed hardware and software maintenance contracts, which are prepaid, are recognized ratably over the life of the contract, generally one to five years, with the related revenue amortized from deferred revenues.

#### DEFERRED REVENUES

Deferred revenues consist primarily of prepaid annual software support fees and prepaid hardware maintenance fees. Hardware maintenance contracts are multi-year; therefore, the deferred revenue and maintenance are classified in accordance with the terms of the contract. Software and hardware deposits received are also reflected as deferred revenues.

#### COMPUTER SOFTWARE DEVELOPMENT

The Company capitalizes new product development costs incurred from the point at which technological feasibility has been established through the point at which the product is ready for general availability. Software development costs that are capitalized are evaluated on a product-by-product basis annually and are assigned an estimated economic life based on the type of product, market characteristics, and maturity of the market for that particular product. These costs are amortized based on current and estimated future revenue from the product or on a straight-line basis, whichever yields greater amortization expense. All of this amortization expense is included within Cost of support and service.

#### CASH EQUIVALENTS

The Company considers all highly liquid investments with maturities of three months or less at the time of acquisition to be cash equivalents.

#### PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Intangible assets consist of goodwill, customer relationships, computer software, and trade names acquired in business acquisitions in addition to internally developed computer software. The amounts are amortized, with the exception of those with an indefinite life (such as goodwill), over an estimated economic benefit period, generally five to twenty years.

The Company reviews its long-lived assets and identifiable intangible assets with finite lives for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. The Company evaluates goodwill and other indefinite-lived intangible assets for impairment of value on an annual basis as of January 1 and between annual tests if events or changes in circumstances indicate that the asset might be impaired.

#### COMPREHENSIVE INCOME

Comprehensive income for each of the years ended June 30, 2014, 2013, and 2012 equals the Company's net income.

#### REPORTABLE SEGMENT INFORMATION

In accordance with U.S. GAAP, the Company's operations are classified as two reportable segments: bank systems and services and credit union systems and services (see Note 13). Revenue by type of product and service is presented on the face of the consolidated statements of income. Substantially all the Company's revenues are derived from operations and assets located within the United States of America.

## COMMON STOCK

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or short-term borrowings on its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At June 30, 2014, there were 19,795 shares in treasury stock and the Company had the remaining authority to repurchase up to 5,196 additional shares. The total cost of treasury shares at June 30, 2014 is \$577,781. During fiscal 2014, the Company repurchased 3,041 treasury shares for \$175,699. At June 30, 2013, there were 16,754 shares in treasury stock and the Company had authority to repurchase up to 8,237 additional shares.

Dividends declared per share were \$0.84, \$0.56, and \$0.44 for the years ended June 30, 2014, 2013, and 2012, respectively.

## EARNINGS PER SHARE

Per share information is based on the weighted average number of common shares outstanding during the year. Stock options have been included in the calculation of income per diluted share to the extent they are dilutive. The difference between basic and diluted weighted average shares outstanding is the dilutive effect of outstanding stock options (see Note 10).

## INCOME TAXES

Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance would be established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

The Company recognizes 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 upon the technical merits of the position. The tax benefits recognized in the financial statements from such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Also, interest and penalties expense are recognized on the full amount of deferred benefits for uncertain tax positions. Our policy is to include interest and penalties related to unrecognized tax benefits in income tax expense.

## RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers in May 2014. The new standard will supersede much of the existing authoritative literature for revenue recognition. The standard and related amendments will be effective for the Company for its annual reporting period beginning July 1, 2017, including interim periods within that reporting period. Early application is not permitted. Entities are allowed to transition to the new standard by either recasting prior periods or recognizing the cumulative effect. The Company is currently evaluating the newly issued guidance, including which transition approach will be applied and the estimated impact it will have on our consolidated financial statements.

## NOTE 2. FAIR VALUE OF FINANCIAL INSTRUMENTS

For cash equivalents, amounts receivable or payable and short-term borrowings, fair values approximate carrying value, based on the short-term nature of the assets and liabilities. The fair value of long term debt also approximates carrying value as estimated using discounted cash flows based on the Company's current incremental borrowing rates or quoted prices in active markets.

The Company's estimates of the fair value for financial assets and financial liabilities are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets, and requires that observable inputs be used in the valuations when available. The three levels of the hierarchy are as follows:

Level 1: inputs to the valuation are quoted prices in an active market for identical assets

Level 2: inputs to the valuation include quoted prices for similar assets in active markets that are observable either directly or indirectly

Level 3: valuation is based on significant inputs that are unobservable in the market and the Company's own estimates of assumptions that we believe market participants would use in pricing the asset



Fair value of financial assets, included in cash and cash equivalents, is as follows:

	Estimated Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
<b>June 30, 2014</b>				
Financial Assets:				
Money market funds	\$ 28,877	\$ —	\$ —	\$ 28,877
<b>June 30, 2013</b>				
Financial Assets:				
Money market funds	\$ 101,576	\$ —	\$ —	\$ 101,576

### NOTE 3. PROPERTY AND EQUIPMENT

The classification of property and equipment, together with their estimated useful lives is as follows:

	June 30,		Estimated Useful Life
	2014	2013	
Land	\$ 24,987	\$ 25,003	
Land improvements	25,411	25,385	5 - 20 years
Buildings	143,733	142,350	20 - 30 years
Leasehold improvements	28,962	24,037	5 - 20 years <sup>(1)</sup>
Equipment and furniture	316,064	293,044	3 - 10 years
Aircraft and equipment	27,246	45,179	5 - 15 years
Construction in progress	12,199	18,099	
	<u>578,602</u>	<u>573,097</u>	
Less accumulated depreciation	286,927	272,586	
Property and equipment, net	<u>\$ 291,675</u>	<u>\$ 300,511</u>	

<sup>(1)</sup> Lesser of lease term or estimated useful life

Property and equipment included \$523 and \$2,179 that was in accrued liabilities at June 30, 2014 and 2013, respectively. Also, the Company acquired \$16,119 and \$29,131 of computer equipment through capital leases for the years ended June 30, 2014 and 2013, respectively. These amounts were excluded from capital expenditures on the statement of cash flows.

### NOTE 4. OTHER ASSETS

#### Goodwill

The carrying amount of goodwill for the years ended June 30, 2014 and 2013, by reportable segments, is as follows:

	June 30,	
	2014	2013
<b>Banking</b>		
Beginning balance	\$ 403,720	\$ 403,949
Goodwill, acquired during the year	19,470	—
Goodwill, written off related to sale	—	(229)
Ending balance	<u>\$ 423,190</u>	<u>\$ 403,720</u>
<b>Credit Union</b>		
Beginning balance	\$ 129,571	\$ 129,571
Goodwill, acquired during the year	—	—
Ending balance	<u>\$ 129,571</u>	<u>\$ 129,571</u>

## Other Intangible Assets

Information regarding other identifiable intangible assets is as follows:

	June 30,	
	2014	2013
Customer relationships	\$ 276,337	\$ 272,391
Less accumulated amortization	(139,735)	(125,224)
Customer relationships, net	<u>\$ 136,602</u>	<u>\$ 147,167</u>
Other intangible assets	\$ 29,660	\$ 10,735
Less accumulated amortization	(4,007)	(1,355)
Other intangible assets, net	<u>\$ 25,653</u>	<u>\$ 9,380</u>
Computer software	\$ 345,248	\$ 288,095
Less accumulated amortization	(184,857)	(155,483)
Computer software, net	<u>\$ 160,391</u>	<u>\$ 132,612</u>

Customer relationships have lives ranging from 5 to 20 years. Our other intangible assets have useful lives ranging from 3 to 20 years.

Computer software includes the unamortized cost of commercial software products developed or acquired by the Company, which are capitalized and amortized over useful lives ranging from 5 to 10 years. Amortization expense for computer software totaled \$37,720, \$33,145, and \$32,807 for the fiscal years ended June 30, 2014, 2013, and 2012, respectively. There were no material impairments in any of the fiscal years presented.

Amortization expense for all intangible assets was \$54,836, \$48,374, and \$49,297 for the fiscal years ended June 30, 2014, 2013, and 2012, respectively. The estimated aggregate future amortization expense for each of the next five years for all intangible assets remaining as of June 30, 2014, is as follows:

Years Ending June 30,	Computer Software	Customer Relationships	Other Intangible Assets	Total
2015	\$ 39,051	\$ 14,398	\$ 4,493	\$ 57,942
2016	31,820	13,814	4,267	49,901
2017	23,006	13,585	2,761	39,352
2018	15,496	13,050	894	29,440
2019	7,151	12,829	697	20,677

## NOTE 5. DEBT

The Company's outstanding long and short term debt is as follows:

	June 30, 2014	June 30, 2013
<b>LONG TERM DEBT</b>		
Capital leases	\$ 7,757	\$ 14,161
Other borrowings	—	120
	<u>7,757</u>	<u>14,281</u>
Less current maturities	4,028	6,915
Debt, net of current maturities	<u>\$ 3,729</u>	<u>\$ 7,366</u>
<b>SHORT TERM DEBT</b>		
Capital leases	\$ 1,379	\$ 1,014
Current maturities of long-term debt	4,028	6,915
Notes payable and current maturities of long term debt	<u>\$ 5,407</u>	<u>\$ 7,929</u>



The following table summarizes the annual principal payments required as of June 30, 2014:

<u>Years ended June 30,</u>		
2015	\$	5,407
2016		3,729
2017		—
2018		—
2019		—
Thereafter		—
	\$	<u>9,136</u>

#### *Capital leases*

The Company has entered into various capital lease obligations for the use of certain computer equipment. Long term capital lease obligations were entered into of which \$7,757 remains outstanding at June 30, 2014 and \$4,028 will be maturing within the next twelve months. The Company also has short term capital lease obligations totaling \$1,379 at June 30, 2014. Included in property and equipment are assets under capital leases totaling \$37,316, which have accumulated depreciation totaling \$7,994.

#### *Other lines of credit*

The long term revolving credit facility allows for borrowings of up to \$150,000, which may be increased by the Company at any time until maturity to \$250,000. The credit facility bears interest at a variable rate equal to (a) a rate based on LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate or (c) LIBOR plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The credit facility is secured by pledges of capital stock of certain subsidiaries of the Company and also guaranteed by certain subsidiaries of the Company. The credit facility is subject to various financial covenants that require the Company to maintain certain financial ratios as defined in the agreement. As of June 30, 2014, the Company was in compliance with all such covenants. The revolving loan terminates June 4, 2015 and at June 30, 2014, there was no outstanding revolving loan balance.

The Company renewed an unsecured bank credit line on March 3, 2014 which provides for funding of up to \$5,000 and bears interest at the prime rate less 1%. The credit line was renewed through April 30, 2017. At June 30, 2014, no amount was outstanding.

#### *Interest*

The Company paid interest of \$620, \$3,549, and \$3,899 in 2014, 2013, and 2012 respectively.

## NOTE 6. COMMITMENTS AND CONTINGENCIES

#### *Litigation*

We are subject to various routine legal proceedings and claims, including the following:

In May 2013 a patent infringement lawsuit entitled *DataTreasury Corporation v. Jack Henry & Associates, Inc. et. al.* was filed against the Company, several subsidiaries and a number of customer financial institutions in the US District Court for the Eastern District of Texas. The complaint seeks damages, interest, injunctive relief, and attorneys' fees for the alleged infringement of two patents, as well as trebling of damage awards for alleged willful infringement. We believe we have strong defenses and intend to defend the lawsuit vigorously. At this stage, we cannot make a reasonable estimate of possible loss or range of loss, if any, arising from this lawsuit.

#### *Property and Equipment*

The Company had \$14,293 of material commitments at June 30, 2014 to purchase property and equipment related mainly to the purchase of aircraft. There were \$18,779 material commitments at June 30, 2013.

#### *Leases*

The Company leases certain property under operating leases which expire over the next 7 years, but certain of the leases contain options to extend the lease term. All lease payments are based on the lapse of time but include, in some cases, payments for operating expenses and property taxes. There are no purchase options on real estate leases at this time. Certain leases on real estate are subject to annual escalations for increases in operating expenses and property taxes.

As of June 30, 2014, net future minimum lease payments are as follows:

Years Ending June 30,	Lease Payments
2015	\$ 7,851
2016	7,587
2017	6,437
2018	5,016
2019	2,453
Thereafter	1,803
Total	<u>\$ 31,147</u>

Rent expense was \$8,609, \$8,124, and \$8,410 in 2014, 2013, and 2012 respectively.

#### NOTE 7. INCOME TAXES

The provision for income taxes from continuing operations consists of the following:

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current:			
Federal	\$ 77,938	\$ 54,574	\$ 48,053
State	10,166	4,540	6,022
Deferred:			
Federal	18,400	19,553	20,649
State	3,631	4,538	1,960
	<u>\$ 110,135</u>	<u>\$ 83,205</u>	<u>\$ 76,684</u>

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	June 30,	
	<u>2014</u>	<u>2013</u>
Deferred tax assets:		
Deferred revenue	\$ 4,996	\$ 5,846
Expense reserves (bad debts, insurance, franchise tax and vacation)	14,776	12,515
Net operating loss carryforwards	4,218	6,363
Other, net	1,122	1,383
	<u>25,112</u>	<u>26,107</u>
Deferred tax liabilities:		
Accelerated tax depreciation	(29,247)	(35,046)
Accelerated tax amortization	(125,054)	(106,147)
Prepaid expenses	(29,264)	(25,779)
Other, net	(13,357)	(9,714)
	<u>(196,922)</u>	<u>(176,686)</u>
Net deferred tax liability before valuation allowance	(171,810)	(150,579)
Valuation allowance	(700)	(700)
Net deferred tax liability	<u>\$ (172,510)</u>	<u>\$ (151,279)</u>

The deferred taxes are classified on the balance sheets as follows:

	<u>2014</u>	<u>2013</u>
Deferred income taxes (current)	\$ (37,592)	\$ (30,845)
Deferred income taxes (long-term)	(134,918)	(120,434)
	<u>\$ (172,510)</u>	<u>\$ (151,279)</u>

The following analysis reconciles the statutory federal income tax rate to the effective income tax rates reflected above:

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Computed "expected" tax expense	35.0 %	35.0 %	35.0 %
Increase (reduction) in taxes resulting from:			
State income taxes, net of federal income tax benefits	2.9 %	2.3 %	2.2 %
Research and development credit	(0.7)%	(3.3)%	(1.8)%
Domestic production activities deduction	(2.1)%	(2.2)%	(2.1)%
Other (net)	0.3 %	0.2 %	(0.2)%
	<u>35.4 %</u>	<u>32.0 %</u>	<u>33.1 %</u>

As of June 30, 2014, we have \$8,761 of net operating loss ("NOL") carryforwards pertaining to the acquisition of Goldleaf Financial Solutions, Inc., which are expected to be utilized after the application of IRC Section 382. Separately, as of June 30, 2014, we had state NOL carryforwards of \$1,705. The federal and state losses have varying expiration dates, ranging from 2014 to 2034. Based on state tax rules which restrict our utilization of these losses, we believe it is more likely than not that \$700 of these losses will expire unutilized. Accordingly, a valuation allowance of \$700 and \$700 has been recorded against these assets as of June 30, 2014 and 2013, respectively.

The Company paid income taxes of \$83,014, \$54,815, and \$44,962 in 2014, 2013, and 2012 respectively.

At June 30, 2013, the Company had \$4,890 of unrecognized tax benefits. At June 30, 2014, the Company had \$7,834 of gross unrecognized tax benefits, \$5,366 of which, if recognized, would affect our effective tax rate. We had accrued interest and penalties of \$1,315 and \$597 related to uncertain tax positions at June 30, 2014 and 2013, respectively.

A reconciliation of the unrecognized tax benefits for the years ended June 30, 2014 and 2013 follows:

	Unrecognized Tax Benefits
Balance at July 1, 2012	\$ 6,202
Additions for current year tax positions	1,087
Reductions for current year tax positions	—
Additions for prior year tax positions	510
Reductions for prior year tax positions	(2,720)
Settlements	—
Reductions related to expirations of statute of limitations	(189)
Balance at June 30, 2013	4,890
<b>Additions for current year tax positions</b>	<b>1,380</b>
<b>Reductions for current year tax positions</b>	<b>—</b>
<b>Additions for prior year tax positions</b>	<b>1,662</b>
<b>Reductions for prior year tax positions</b>	<b>(1)</b>
<b>Settlements</b>	<b>—</b>
<b>Reductions related to expirations of statute of limitations</b>	<b>(97)</b>
<b>Balance at June 30, 2014</b>	<b>\$ 7,834</b>

The U.S. federal and state income tax returns for June 30, 2011 and all subsequent years remain subject to examination as of June 30, 2014 under statute of limitations rules. We anticipate potential changes could reduce the unrecognized tax benefits balance by \$1,700 - \$2,300 within twelve months of June 30, 2014.

#### NOTE 8. INDUSTRY AND SUPPLIER CONCENTRATIONS

The Company sells its products to banks, credit unions, and financial institutions throughout the United States and generally does not require collateral. All billings to customers are due 30 days from date of billing. Reserves (which are insignificant at June 30, 2014, 2013, and 2012) are maintained for potential credit losses.

In addition, the Company purchases most of its computer hardware and related maintenance for resale in relation to installation of JHA software systems from two suppliers. There are a limited number of hardware suppliers for these required items. If these relationships were terminated, it could have a negative impact on the operations of the Company.

## NOTE 9. STOCK-BASED COMPENSATION

Our pre-tax operating income for the years ended June 30, 2014, 2013 and 2012 includes \$10,091, \$8,615 and \$6,950 of equity-based compensation costs, respectively, of which \$9,335, \$7,962 and \$6,364 relates to the restricted stock plan, respectively.

### 2005 NSOP and 1996 SOP

The Company previously issued options to employees under the 1996 Stock Option Plan ("1996 SOP") and to outside directors under the 2005 Non-Qualified Stock Option Plan ("2005 NSOP").

The 1996 SOP was adopted by the Company on October 29, 1996, for its employees. Terms and vesting periods of the options were determined by the Compensation Committee of the Board of Directors when granted and for options outstanding include vesting periods up to four years. Shares of common stock were reserved for issuance under this plan at the time of each grant, which must be at or above fair market value of the stock at the grant date. The options terminate 30 days after termination of employment, 3 months after retirement, one year after death or 10 years after the date of grant. The plan terminated by its terms on October 29, 2006, although options previously granted under the 1996 SOP are still outstanding and vested.

The 2005 NSOP was adopted by the Company on September 23, 2005, for its outside directors. Generally, options are exercisable beginning 6 months after grant at an exercise price equal to the fair market value of the stock at the grant date. For individuals who have served less than 4 continuous years, 25% of all options will vest after one year of service, 50% shall vest after two years, and 75% shall vest after three years of service on the Board. The options terminate upon surrender of the option, upon the expiration of 1 year following notification of a deceased optionee, or 10 years after grant. 700 shares of common stock have been reserved for issuance under this plan with a maximum of 100 for each director.

A summary of option plan activity under the plan is as follows:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding July 1, 2011	990	\$ 15.65	
Granted	—	—	
Forfeited	—	—	
Exercised	(526)	15.17	
Outstanding July 1, 2012	464	16.19	
Granted	—	—	
Forfeited	—	—	
Exercised	(320)	13.68	
Outstanding July 1, 2013	144	21.79	
Granted	—	—	
Forfeited	—	—	
Exercised	(19)	18.42	
<b>Outstanding June 30, 2014</b>	<b>125</b>	<b>\$ 22.29</b>	<b>\$ 4,633</b>
<b>Vested June 30, 2014</b>	<b>125</b>	<b>\$ 22.29</b>	<b>\$ 4,633</b>
<b>Exercisable June 30, 2014</b>	<b>125</b>	<b>\$ 22.29</b>	<b>\$ 4,633</b>

There were no options granted during any period presented. As of June 30, 2014, there was no unrecognized compensation costs related to stock options since all options have now vested. The weighted average remaining contractual term on options currently exercisable as of June 30, 2014 was 3.49 years.

The income tax benefits from stock option exercises totaled \$3,420, \$3,632 and \$3,631 for the years ended June 30, 2014, 2013, and 2012, respectively.

The total intrinsic value of options exercised was \$704, \$8,254 and \$9,654 for the fiscal years ended June 30, 2014, 2013, and 2012, respectively.

### Restricted Stock Plan

The Restricted Stock Plan was adopted by the Company on November 1, 2005, for its employees. Up to 3,000 shares of common stock are available for issuance under the plan. Upon issuance, shares of restricted stock are subject to forfeiture and to restrictions which limit the sale or transfer of the shares during the restriction period. The restrictions will be lifted over periods ranging from 3 years to 7 years from grant date. On certain awards, the restrictions may be lifted sooner if certain targets for shareholder return are met.

The following table summarizes non-vested share awards activity:

<b>Share awards</b>	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding July 1, 2011	416	\$ 22.34
Granted	42	31.50
Vested	(106)	22.92
Forfeited	(20)	25.49
Outstanding July 1, 2012	332	23.13
Granted	53	36.78
Vested	(125)	23.17
Forfeited	(8)	23.11
Outstanding July 1, 2013	252	25.92
Granted	30	54.13
Vested	(143)	24.41
Forfeited	(1)	22.17
<b>Outstanding June 30, 2014</b>	<b>138</b>	<b>\$ 33.56</b>

The non-vested share awards will not participate in dividends during the restriction period. As a result, the weighted-average fair value of the non-vested share awards is based on the fair market value of the Company's equity shares on the grant date, less the present value of the expected future dividends to be declared during the restriction period.

At June 30, 2014, there was \$1,492 of compensation expense that has yet to be recognized related to non-vested restricted stock share awards, which will be recognized over a weighted-average period of 0.92 years.

An amendment to the Restricted Stock Plan was adopted by the Company on August 20, 2010, for its executive officers. Unit awards will be made to employees remaining in continuous employment throughout the performance period and vary based on the Company's percentile ranking in Total Shareholder Return ("TSR") over the performance period compared to a peer group of companies. TSR is defined as the change in the stock price through the performance period plus dividends per share paid during the performance period, all divided by the stock price at the beginning of the performance period. It is the intention of the Company to settle the unit awards in shares of the Company's stock.

The following table summarizes non-vested unit awards as of June 30, 2014, as well as activity for the year then ended:

<b>Unit awards</b>	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding July 1, 2011	293	\$ 15.77
Granted	391	19.69
Vested	—	—
Forfeited	(12)	15.77
Outstanding July 1, 2012	672	18.05
Granted	174	42.39
Vested	—	—
Forfeited	(32)	22.45
Outstanding July 1, 2013	814	23.08
Granted	164	48.21
Vested	(168)	15.77
Forfeited	(101)	15.77
<b>Outstanding June 30, 2014</b>	<b>709</b>	<b>\$ 31.66</b>

The weighted average assumptions used in this model to estimate fair value at the measurement date and resulting values are as follows:

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Volatility	21.6 %	23.3 %	34.2 %
Risk free interest rate	0.91 %	0.33 %	0.31 %
Dividend yield	1.6 %	1.2 %	1.5 %
Stock Beta	0.837	0.864	0.903

At June 30, 2014, there was \$8,193 of compensation expense that has yet to be recognized related to non-vested restricted stock unit awards, which will be recognized over a weighted-average period of 0.91 years.

#### NOTE 10. EARNINGS PER SHARE

The following table reflects the reconciliation between basic and diluted earnings per share, as well as cash dividends paid per share:

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Income	\$ 201,136	\$ 176,645	\$ 154,984
Common share information:			
Weighted average shares outstanding for basic earnings per share	84,866	86,040	86,599
Dilutive effect of stock options and restricted stock	530	579	688
Weighted average shares outstanding for diluted earnings per share	85,396	86,619	87,287
Basic earnings per share	\$ 2.37	\$ 2.05	\$ 1.79
Diluted earnings per share	\$ 2.36	\$ 2.04	\$ 1.78

Per share information is based on the weighted average number of common shares outstanding for each of the fiscal years. Stock options and restricted stock have been included in the calculation of earnings per share to the extent they are dilutive. There were 24 anti-dilutive stock options and restricted stock excluded from the computation of diluted earnings per share for fiscal 2014, with no shares excluded for fiscal 2013 and no shares excluded for fiscal 2012.

#### NOTE 11. EMPLOYEE BENEFIT PLANS

The Company established an employee stock purchase plan in 2006. The plan allows the majority of employees the opportunity to directly purchase shares of the Company at a 15% discount. The plan does not meet the criteria as a non-compensatory plan. As a result, the Company records the total dollar value of the stock discount given to employees under the plan as expense. Total expense recorded by the Company under the plan for the year ended June 30, 2014, 2013 and 2012 was \$756, \$653 and \$586, respectively.

The Company has a defined contribution plan for its employees: the 401(k) Retirement Savings Plan (the "Plan"). The Plan is subject to the Employee Retirement Income Security Act of 1975 ("ERISA") as amended. Under the Plan, the Company matches 100% of full time employee contributions up to 5% of compensation subject to a maximum of \$5 per year. In order to receive matching contributions, employees must be 18 years of age and be employed for at least six months. The Company has the option of making a discretionary contribution; however, none has been made for any of the three most recent fiscal years. The total matching contributions for the Plan were \$13,617, \$12,426, and \$11,376 for fiscal 2014, 2013 and 2012, respectively.

## NOTE 12. BUSINESS ACQUISITION

### *Banno, LLC*

Effective March 1, 2014, the Company acquired all of the equity interests of Banno, an Iowa-based company that provides Web and transaction marketing services with a focus on the mobile medium, for \$27,910 paid in cash. This acquisition was funded using existing operating cash. The acquisition of Banno expanded the Company's presence in online and mobile technologies within the industry.

Management has completed a preliminary purchase price allocation of Banno and its assessment of the fair value of acquired assets and liabilities assumed. The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of March 1, 2014 are set forth below:

Current assets	\$	610
Long-term assets		87
Identifiable intangible assets		9,255
Total liabilities assumed		<u>(1,512)</u>
Total identifiable net assets		8,440
Goodwill		<u>19,470</u>
Net assets acquired		<u><u>27,910</u></u>

The amounts shown above may change in the near term as management continues to assess the fair value of acquired assets and liabilities and evaluate the income tax implications of this business combination.

The goodwill of \$19,470 arising from this acquisition consists largely of the growth potential, synergies and economies of scale expected from combining the operations of the Company with those of Banno, together with the value of Banno's assembled workforce. Goodwill from this acquisition has been allocated to our Banking Systems and Services segment. Approximately 95% of the goodwill is expected to be deductible for income tax purposes.

Identifiable intangible assets from this acquisition consists of customer relationships of \$3,946, \$3,546 of computer software and other intangible assets of \$1,763. The weighted average amortization period for acquired customer relationships, acquired computer software, and other intangible assets is 15 years, 8 years, and 20 years, respectively.

Current assets is inclusive of cash acquired of \$16. The fair value of current assets acquired included accounts receivable of \$476. The gross amount receivable is \$501, of which \$25 is expected to be uncollectible.

During fiscal year 2014, the Company incurred \$30 in costs related to the acquisition of Banno. These costs included fees for legal, valuation and other fees. These costs were included within general and administrative expenses.

The results of Banno's operations included in the Company's consolidated statement of operations from the acquisition date to June 30, 2014 included revenue of \$848 and after-tax net loss of \$1,121.

The accompanying consolidated statements of income for the three and twelve month periods ended June 30, 2014 do not include any revenues and expenses related to this acquisition prior to the acquisition date. The impact of this acquisition was considered immaterial to our both the current and prior periods of our consolidated financial statements and pro forma financial information has not been provided.



## NOTE 13. REPORTABLE SEGMENT INFORMATION

The Company is a provider of integrated computer systems that perform data processing (available for in-house installations or outsourced services) for banks and credit unions. The Company's operations are classified into two reportable segments: bank systems and services ("Bank") and credit union systems and services ("Credit Union"). The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenue.

	Year Ended June 30, 2014		
	Bank	Credit Union	Total
<b>REVENUE</b>			
License	\$ 30,253	\$ 22,756	\$ 53,009
Support and service	840,066	258,320	1,098,386
Hardware	42,657	16,001	58,658
<b>Total revenue</b>	<b>912,976</b>	<b>297,077</b>	<b>1,210,053</b>
<b>COST OF SALES</b>			
Cost of license	3,316	957	4,273
Cost of support and service	493,724	149,719	643,443
Cost of hardware	31,866	11,842	43,708
<b>Total cost of sales</b>	<b>528,906</b>	<b>162,518</b>	<b>691,424</b>
<b>GROSS PROFIT</b>	<b>\$ 384,070</b>	<b>\$ 134,559</b>	<b>518,629</b>
<b>OPERATING EXPENSES</b>			<b>206,630</b>
<b>INTEREST INCOME (EXPENSE)</b>			<b>(728)</b>
<b>INCOME BEFORE INCOME TAXES</b>			<b>\$ 311,271</b>
	Year Ended June 30, 2013		
	Bank	Credit Union	Total
<b>REVENUE</b>			
License	\$ 32,933	\$ 21,885	\$ 54,818
Support and service	774,073	241,138	1,015,211
Hardware	41,052	18,305	59,357
<b>Total revenue</b>	<b>848,058</b>	<b>281,328</b>	<b>1,129,386</b>
<b>COST OF SALES</b>			
Cost of license	3,699	1,125	4,824
Cost of support and service	460,050	143,870	603,920
Cost of hardware	29,936	13,714	43,650
<b>Total cost of sales</b>	<b>493,685</b>	<b>158,709</b>	<b>652,394</b>
<b>GROSS PROFIT</b>	<b>\$ 354,373</b>	<b>\$ 122,619</b>	<b>476,992</b>
<b>OPERATING EXPENSES</b>			<b>211,445</b>
<b>INTEREST INCOME (EXPENSE)</b>			<b>(5,697)</b>
<b>INCOME BEFORE INCOME TAXES</b>			<b>\$ 259,850</b>



	Year Ended June 30, 2012		
	Bank	Credit Union	Total
<b>REVENUE</b>			
License	\$ 37,200	\$ 17,611	\$ 54,811
Support and service	696,204	212,972	909,176
Hardware	45,051	18,071	63,122
<b>Total revenue</b>	<u>778,455</u>	<u>248,654</u>	<u>1,027,109</u>
<b>COST OF SALES</b>			
Cost of license	4,863	1,248	6,111
Cost of support and service	419,954	131,331	551,285
Cost of hardware	32,123	13,860	45,983
<b>Total cost of sales</b>	<u>456,940</u>	<u>146,439</u>	<u>603,379</u>
<b>GROSS PROFIT</b>	<u>\$ 321,515</u>	<u>\$ 102,215</u>	<u>423,730</u>
<b>OPERATING EXPENSES</b>			187,495
<b>INTEREST INCOME (EXPENSE)</b>			(4,567)
<b>INCOME BEFORE INCOME TAXES</b>			<u>\$ 231,668</u>

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Depreciation expense, net</b>			
Bank systems and services	\$ 48,382	\$ 47,789	\$ 41,053
Credit Unions systems and services	4,553	4,178	4,269
Total	<u>\$ 52,935</u>	<u>\$ 51,967</u>	<u>\$ 45,322</u>
<b>Amortization expense, net</b>			
Bank systems and services	\$ 39,152	\$ 32,959	\$ 35,492
Credit Unions systems and services	15,684	15,415	13,805
Total	<u>\$ 54,836</u>	<u>\$ 48,374</u>	<u>\$ 49,297</u>
<b>Capital expenditures</b>			
Bank systems and services	\$ 32,736	\$ 44,976	\$ 34,963
Credit Unions systems and services	449	1,280	6,478
Total	<u>\$ 33,185</u>	<u>\$ 46,256</u>	<u>\$ 41,441</u>

	June 30,	
	<u>2014</u>	<u>2013</u>
<b>Property and equipment, net</b>		
Bank systems and services	\$ 258,437	\$ 265,595
Credit Union systems and services	33,238	34,916
Total	<u>\$ 291,675</u>	<u>\$ 300,511</u>
<b>Intangible assets, net</b>		
Bank systems and services	\$ 643,972	\$ 589,891
Credit Union systems and services	231,435	232,559
Total	<u>\$ 875,407</u>	<u>\$ 822,450</u>

The Company has not disclosed any additional asset information by segment, as the information is not produced internally and its preparation is impracticable.

#### NOTE 14. SUBSEQUENT EVENTS

On August 22, 2014, the Company's Board of Directors declared a cash dividend of \$0.22 per share on its common stock, payable on September 26, 2014 to shareholders of record on September 5, 2014.

**QUARTERLY FINANCIAL INFORMATION**  
(unaudited)

	For the Year Ended June 30, 2014				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
<b>REVENUE</b>					
License	\$ 11,779	\$ 12,893	\$ 15,267	\$ 13,070	\$ 53,009
Support and service	269,544	274,276	270,931	283,635	1,098,386
Hardware	14,338	15,356	14,731	14,233	58,658
<b>Total revenue</b>	<b>295,661</b>	<b>302,525</b>	<b>300,929</b>	<b>310,938</b>	<b>1,210,053</b>
<b>COST OF SALES</b>					
Cost of license	1,412	947	1,167	747	4,273
Cost of support and service	154,583	157,893	164,223	166,744	643,443
Cost of hardware	10,941	10,867	11,008	10,892	43,708
<b>Total cost of sales</b>	<b>166,936</b>	<b>169,707</b>	<b>176,398</b>	<b>178,383</b>	<b>691,424</b>
<b>GROSS PROFIT</b>	<b>128,725</b>	<b>132,818</b>	<b>124,531</b>	<b>132,555</b>	<b>518,629</b>
<b>OPERATING EXPENSES</b>					
Selling and marketing	21,458	21,071	22,034	22,007	86,570
Research and development	15,673	16,142	17,486	17,447	66,748
General and administrative	14,250	12,132	13,629	13,301	53,312
<b>Total operating expenses</b>	<b>51,381</b>	<b>49,345</b>	<b>53,149</b>	<b>52,755</b>	<b>206,630</b>
<b>OPERATING INCOME</b>	<b>77,344</b>	<b>83,473</b>	<b>71,382</b>	<b>79,800</b>	<b>311,999</b>
<b>INTEREST INCOME (EXPENSE)</b>					
Interest income	131	129	84	33	377
Interest expense	(280)	(267)	(262)	(296)	(1,105)
<b>Total interest income (expense)</b>	<b>(149)</b>	<b>(138)</b>	<b>(178)</b>	<b>(263)</b>	<b>(728)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>77,195</b>	<b>83,335</b>	<b>71,204</b>	<b>79,537</b>	<b>311,271</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>27,407</b>	<b>29,353</b>	<b>24,447</b>	<b>28,928</b>	<b>110,135</b>
<b>NET INCOME</b>	<b>\$ 49,788</b>	<b>\$ 53,982</b>	<b>\$ 46,757</b>	<b>\$ 50,609</b>	<b>\$ 201,136</b>
Diluted earnings per share	\$ 0.58	\$ 0.63	\$ 0.55	\$ 0.60	\$ 2.36
Diluted weighted average shares outstanding	85,854	85,986	85,467	84,276	85,396
Basic earnings per share	\$ 0.58	\$ 0.63	\$ 0.55	\$ 0.60	\$ 2.37
Basic weighted average shares outstanding	85,294	85,450	84,981	83,740	84,866

**For the Year Ended June 30, 2013**

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Total</u>
<b>REVENUE</b>					
License	\$ 12,864	\$ 13,210	\$ 16,681	\$ 12,063	\$ 54,818
Support and service	244,585	250,310	250,415	269,901	1,015,211
Hardware	13,552	15,174	14,447	16,184	59,357
<b>Total revenue</b>	<b>271,001</b>	<b>278,694</b>	<b>281,543</b>	<b>298,148</b>	<b>1,129,386</b>
<b>COST OF SALES</b>					
Cost of license	1,077	1,251	1,360	1,136	4,824
Cost of support and service	143,418	144,683	155,012	160,807	603,920
Cost of hardware	10,578	10,523	10,581	11,968	43,650
<b>Total cost of sales</b>	<b>155,073</b>	<b>156,457</b>	<b>166,953</b>	<b>173,911</b>	<b>652,394</b>
<b>GROSS PROFIT</b>	<b>115,928</b>	<b>122,237</b>	<b>114,590</b>	<b>124,237</b>	<b>476,992</b>
<b>OPERATING EXPENSES</b>					
Selling and marketing	20,189	19,937	20,935	20,558	81,619
Research and development	14,645	15,691	15,996	16,870	63,202
General and administrative	13,578	27,181	11,950	13,915	66,624
<b>Total operating expenses</b>	<b>48,412</b>	<b>62,809</b>	<b>48,881</b>	<b>51,343</b>	<b>211,445</b>
<b>OPERATING INCOME</b>	<b>67,516</b>	<b>59,428</b>	<b>65,709</b>	<b>72,894</b>	<b>265,547</b>
<b>INTEREST INCOME (EXPENSE)</b>					
Interest income	187	190	133	130	640
Interest expense	(1,341)	(1,261)	(1,034)	(2,701)	(6,337)
<b>Total interest income (expense)</b>	<b>(1,154)</b>	<b>(1,071)</b>	<b>(901)</b>	<b>(2,571)</b>	<b>(5,697)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>66,362</b>	<b>58,357</b>	<b>64,808</b>	<b>70,323</b>	<b>259,850</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>23,887</b>	<b>17,852</b>	<b>18,812</b>	<b>22,654</b>	<b>83,205</b>
<b>NET INCOME</b>	<b>\$ 42,475</b>	<b>\$ 40,505</b>	<b>\$ 45,996</b>	<b>\$ 47,669</b>	<b>\$ 176,645</b>
Diluted net income per share	\$ 0.49	\$ 0.47	\$ 0.53	\$ 0.55	\$ 2.04
Diluted weighted average shares outstanding	86,605	86,639	86,705	86,525	86,619
Basic net income per share	\$ 0.49	\$ 0.47	\$ 0.53	\$ 0.56	\$ 2.05
Basic weighted average shares outstanding	86,109	86,084	86,120	85,845	86,040

## BOARD OF DIRECTORS

**John F. "Jack" Prim**

*Chairman of the Board and Chief Executive Officer  
Jack Henry & Associates  
Monett, Missouri*

**Matthew C. Flanigan**

*Vice Chairman and Lead Director, Jack Henry & Associates  
Executive Vice President and Chief Financial Officer, Leggett & Platt, Incorporated  
Carthage, Missouri*

**Marla K. Shepard**

*Chief Executive Officer  
California Coast Credit Union  
San Diego, California*

**Tom H. Wilson, Jr.**

*Managing Partner  
DecisionPoint Advisors, LLC  
Charlotte, North Carolina*

**Jacqueline R. Fiegel**

*Chairman/Central Oklahoma Area  
Prosperity Bank  
Oklahoma City, Oklahoma*

**Thomas A. Wimsett**

*Chairman and Managing Partner  
Wimsett & Company  
Louisville, Kentucky*

**Laura G. Kelly**

*Senior Vice President and Chief Product Officer  
The Dun & Bradstreet Corporation  
Austin, Texas*

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## EXECUTIVE OFFICERS

**John F. "Jack" Prim** – *Chairman of the Board and Chief Executive Officer*

**David B. Foss** – *President*

**Kevin D. Williams** – *Chief Financial Officer and Treasurer*

**Mark S. Forbis** – *Vice President and Chief Technology Officer*

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## **ANNUAL MEETING**

The annual meeting of shareholders will be held on Thursday, November 13, 2014 at 11 a.m. Central at Jack Henry & Associates' Corporate Headquarters, Monett, Missouri.

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## **FORM 10-K**

A copy of the company's Form 10-K is available upon request to the Chief Financial Officer at the corporate headquarters address or from our website at [www.jackhenry.com](http://www.jackhenry.com).

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## **TRANSFER AGENT AND REGISTRAR**

Computershare Trust Company, N.A.  
P.O. Box 30170  
College Station, TX 77842-3170

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