

40th



ANNIVERSARY 1976-2016

JACK HENRY & ASSOCIATES, INC.®

2016 ANNUAL REPORT



40 YEARS STRONG

Every company has a story, and this year we're honored to say that ours is 40 years old. Since our founding in 1976 when Jack Henry and Jerry Hall wrote their vision for Jack Henry & Associates, Inc.® on a napkin, we've experienced tremendous growth thanks to the dedication and hard work of our associates, the partnership of our clients, and the commitment of our shareholders.

From our humble beginnings, the values and philosophy established by our co-founders have guided us, and they remain the cornerstone of our culture, business, and success today.

To commemorate our 40 year anniversary, in early 2016 we initiated a campaign where we asked those who have experienced our culture firsthand to share their own stories. Hundreds of associates, clients, and partners responded to the question:

What does the Jack Henry & Associates culture mean to you?

The answers we received were varied – from the heartfelt and patriotic to the humorous and nostalgic – and each submission added a unique perspective on what it means to be a part of our amazing culture. Read more about this anniversary campaign beginning on page 12 of this report.

Thank you to our associates, clients, business partners, and shareholders. You have been integral in building a culture that we're proud to share and celebrate.



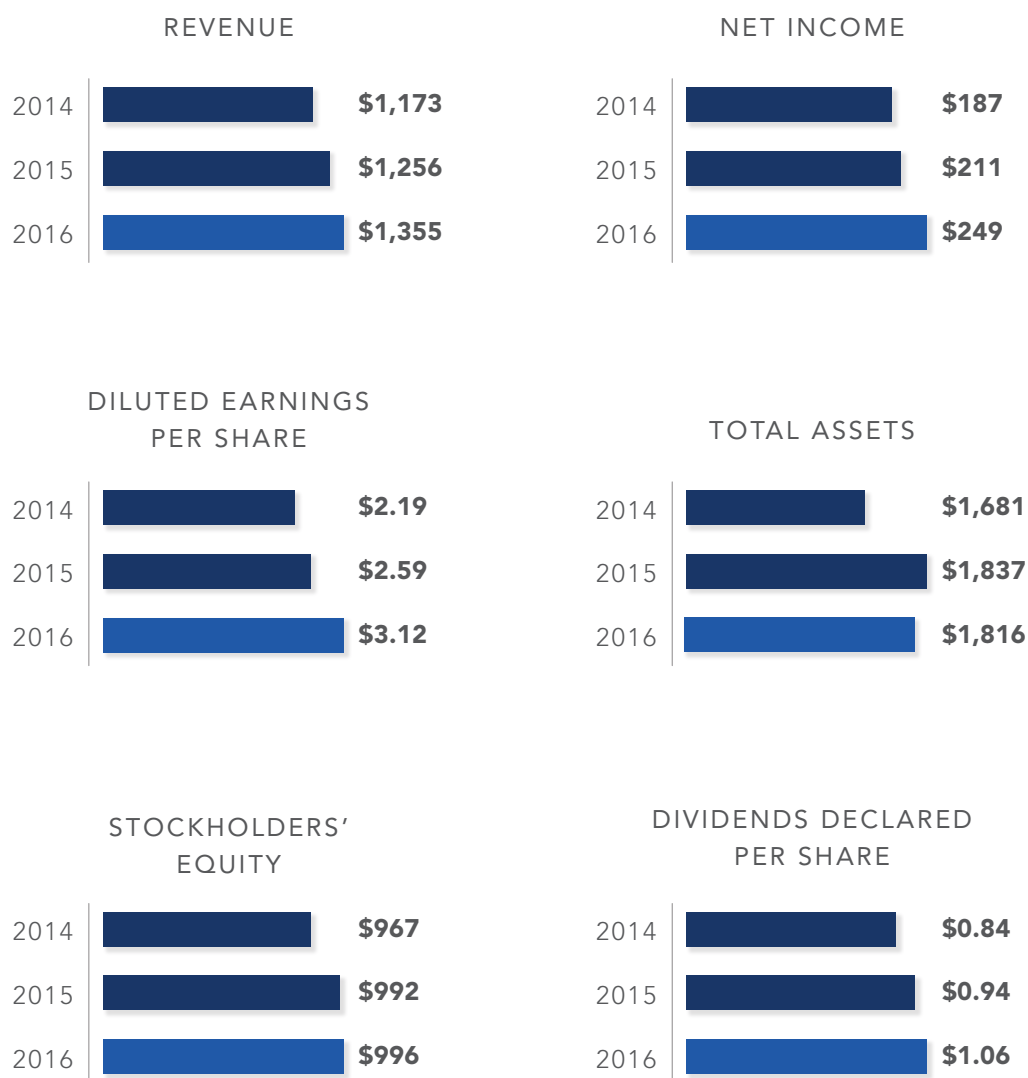
TOGETHER, WE ARE 40 YEARS STRONG.

TABLE OF CONTENTS

2	FINANCIAL HIGHLIGHTS
3	JHA'S STOCK PERFORMANCE THROUGH THE YEARS
4	SHAREHOLDERS' LETTER
8	COMPANY TIMELINE
10	JHA TODAY
12	THE 40 TH ANNIVERSARY CULTURE PROJECT
21	MARKET FOR REGISTRANT'S COMMON EQUITY
22	PERFORMANCE GRAPH
23	SELECTED FINANCIAL DATA
23	MANAGEMENT'S DISCUSSION AND ANALYSIS
36	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
37	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
62	QUARTERLY FINANCIAL INFORMATION
64	BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

FINANCIAL HIGHLIGHTS

(IN MILLIONS EXCEPT PER SHARE DATA)



JHA STOCK PERFORMANCE THROUGH THE YEARS

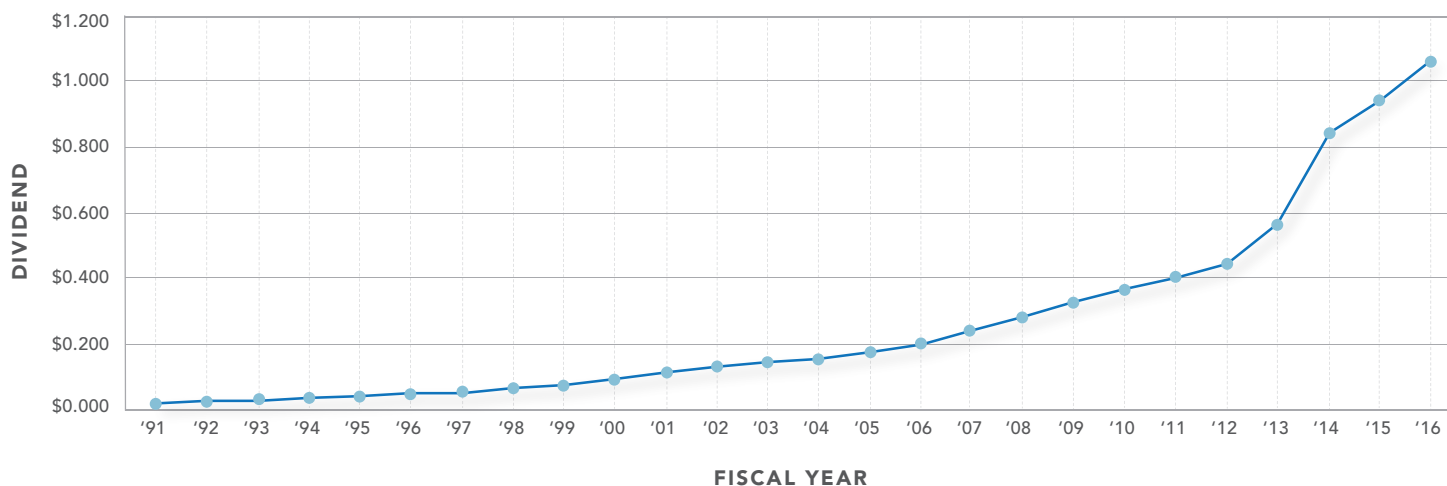
On November 20, 1985, an Initial Public Offering (IPO) made JHA a public company trading 3,125,000 common shares on the NASDAQ exchange under the symbol JKHY. Over the 30+ years since, our stock has generated extraordinary returns for our shareholders.

If you had exercised the exceptional foresight to invest in 100 shares of Jack Henry common stock at the time of the IPO in 1985 at the offering price of \$6.75 per share, and continued to hold those shares together with all stock splits and dividends since, your original investment of \$675 would have grown to a value of \$169,301 as of June 30, 2016!

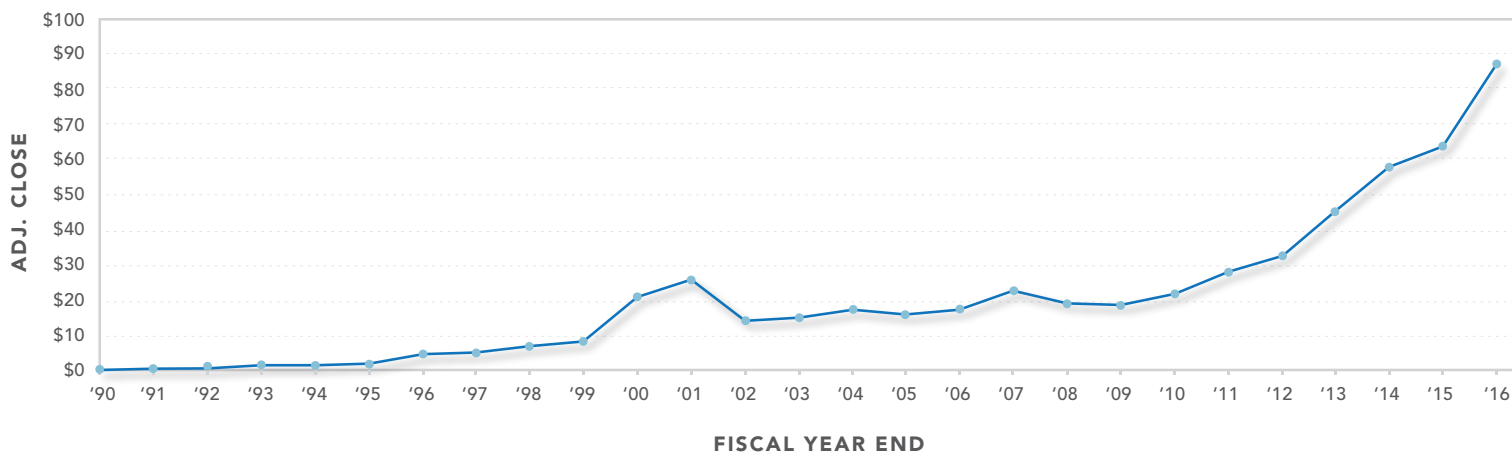
Since our IPO, our market capitalization has grown **32,537%**, a compounded average annual growth rate of **20.9%**. Our total shareholder return (change in stock price plus dividends paid) has grown **25,513%** since our IPO, a compounded average annual growth of **19.9%**.

IN 2016, THE WALL STREET JOURNAL RANKED JKHY STOCK **NO. 9** AMONG THE TOP 30 STOCKS DURING THE LAST 30 YEARS.

QUARTERLY DIVIDENDS PAID BY FISCAL YEAR | DIVIDENDS ADJUSTED FOR STOCK SPLITS



FISCAL YEAR END STOCK PRICE | PRICE ADJUSTED FOR STOCK SPLITS



FELLOW SHAREHOLDERS

As we commemorate 40 years in business, now is an opportune time to reflect on our early days and take pride in the foundational principles that have molded JHA's culture. The financial services industry has changed dramatically since our company's inception in 1976, and we've prospered through it all because of our dedication to providing high-quality business solutions backed by exceptional customer care.

WHILE IT'S REWARDING TO CELEBRATE HOW FAR WE'VE COME, WE REMAIN FOCUSED ON WHERE WE'RE GOING. WITH A STABLE ECONOMY AND FINANCIAL INDUSTRY HEALTH REMAINING STRONG, JHA IS WELL-POSITIONED FOR THE FUTURE.

We remain committed to effectively navigating and innovating in our rapidly evolving market, providing the technology that drives our clients' success and empowers their customers' financial experiences. We believe that if we provide a culture of opportunity to our associates and exceptional technology and service to our clients, we will continue to generate consistent above-market returns for you, our shareholders.

This has proven to be true for four decades.

Fiscal year 2016 (ended June 30) marked another year of progress and solid financial results. All three of our marketed brand sales teams exceeded their assigned quotas and we achieved record financial performance and profitable organic revenue growth in both of our reporting segments.

On July 1, 2016, we experienced a seamless management transition as Jack Prim, formerly CEO and Chairman of the Board, assumed the new role

of Executive Chairman. Effective with the executive leadership transition, other organizational changes were made to streamline our business and bolster the effectiveness of our collective sales and marketing strategy.

During fiscal 2016, we also successfully integrated Bayside Business Solutions into our business. Bayside's industry-leading commercial lending technology has enhanced our presence and potential in the lending arena.

In May of 2016, we sold our Alogent business to a private equity investor. We acquired Alogent as part of the Goldleaf acquisition in fiscal 2010, but as the only product line in our portfolio specifically targeted at the largest tier one banks in the U.S. and internationally, it was never a solid fit with the rest of our strategy. We believe this divestiture allows us to further sharpen our focus on our target markets in the United States.

Today, 49% of our core clients have chosen software delivered in a hosted environment which is also referred to as outsourcing, in-the-cloud, or Software-as-a Service (SaaS). We continue to see a preference for the hosted model, and this shift has been a significant contributor to our recurring revenue composition which reached 79% in fiscal year 2016.

\$510M

ANNUAL REVENUE IN
ELECTRONIC PAYMENTS

Our electronic payments businesses continues to grow. In fiscal 2016 it generated more than \$510 million in annual revenue, or 38% 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 component is expected to be a significant part of our business well into the future.

In fiscal year 2016, we delivered a number of exciting new solutions to our clients. We introduced several digital offerings including a fully integrated platform that enables financial institutions to launch modern, mobile-first functionality, and a backend administrative app that provides financial institutions with a comprehensive view of mobile users' profiles, accounts, and activities. We also announced the availability of an online storefront where banks can access and exchange apps with their peers.

We generated 8% revenue growth during the year, with nearly 100% being organic growth. We returned \$260 million to our shareholders as we increased our quarterly dividend by 13% and repurchased 2.4 million shares of JHA stock in the market. This reflects our confidence in our ability to use our cash flow and balance sheet to continue generating solid returns for our shareholders.

During fiscal year 2016, revenue and earnings reached record highs.

Total revenue increased to a record \$1.355 billion. Net income was \$249 million or \$3.12 per diluted share, as compared to net income of \$211 million or \$2.59 per diluted share reported for fiscal year 2015. We generated strong cash flow from operating activities of \$365 million, as compared to \$374 million in fiscal year 2015. Our return on assets was 14%, and return on equity was 25%. We generated strong profitability with a 27% operating margin.

8%

REVENUE GROWTH DURING THE YEAR

Recurring revenue, which consists of software maintenance fees, outsourcing services, and electronic payment processing, was 79% of total revenue in fiscal year 2016.

As consumer demand for ease and convenience continues to accelerate, client expectations rise, regulatory directives persist, technology rapidly evolves, and new competition surfaces, Jack Henry & Associates remains strong and steadfast.

Our commitment to quality and our high service standards foster customer relationships that have stood the test of time – and have enabled us to capture substantial market share for decades. We'd like to thank our shareholders for your confidence in JHA, our more than 10,500 loyal clients for your partnership, and our nearly 6,000 outstanding associates for your daily efforts. We have 40 prosperous years behind us, but because of you, we firmly believe that the best is yet to come.



DAVID B. FOSS

PRESIDENT AND CHIEF
EXECUTIVE OFFICER



KEVIN D. WILLIAMS

CHIEF FINANCIAL OFFICER
AND TREASURER

OUR GUIDING PRINCIPLES



jack henry
& ASSOCIATES INC.

jack henry Banking
A DIVISION OF JACK HENRY & ASSOCIATES INC.

Symitar
A JACK HENRY COMPANY

ProfitStars
A JACK HENRY COMPANY

www.jackhenry.com

FUTURE-FOCUSED GROWTH DRIVERS

01

Maintain our high levels of customer satisfaction and retention by delivering high-quality business solutions and exceptional service.

Continue to foster employee satisfaction by providing a work environment that is both personally and professionally rewarding.

02

03

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.

04

05

Increase recurring revenue by optimizing outsourcing opportunities, transaction-based processing fees, and ongoing software maintenance and support fees.

COMPANY HISTORY TIMELINE

Four decades in business, and we continue to gain momentum in the industry thanks to our strong foundation, innovative technology, and exceptional people.



In **1976**, the plan for the formation of Jack Henry & Associates was carefully conceived on the back of a napkin. The company opened for business in space rented from an engine repair shop for \$40 a month.



1976



In **1981**, the first building – J1 – was built on the 52-acre Monett campus. The campus, now 154 acres, still houses the company's headquarters.



1984



In **1992**, JHA began to aggressively acquire companies that expanded its product offering and its client base.

1992

1996

1978

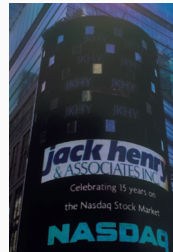


jha

In **1977**, JHA was incorporated and generated \$115,222 in revenue.

1982

1986



On November 20, **1985**, an Initial Public Offering made JHA a public company trading 3,125,000 common shares on the NASDAQ exchange under the symbol JKHY.

1990



In **1991**, JHA's Associate roster officially reached 100 employees.

1994



In **1995**, JHA added the core outsourced delivery option to its offering through an acquisition.

In **2000**, JHA completed a secondary public offering of 1.5 million additional shares of JKHY.

In **2000**, JHA also expanded its presence in the credit union marketplace by acquiring San Diego-based Symitar®.



In **2000**, JHA employs more than 1,500 Associates.

2000

2004

In **2012**, JHA announced \$1 billion in annual revenue.



In **2007**, John W. "Jack" Henry died at the age of 71.

Also in **2007**, Symitar signed its 500th Episys client, positioning the company with the largest organic user base in the industry.

2008

2012



2016: JHA celebrates 40 years in business.

2016

In **2015**, JKHY market value reached \$6 billion in market capitalization.

1998

In **1998**, JKHY market value closed above \$1 billion in market capitalization.

2002

In **2004**, JHA began its focused diversification acquisition strategy which resulted in the acquisition of a number of companies and products.

2006

In **2006**, JHA launched its third primary brand – ProfitStars® – to encompass the specialized products and services assembled through its focused diversification acquisition strategy.



2010



On February 11, **2013**, JHA co-founder, Jerry Hall, passed away.



In early **2013**, JHA reached another employee milestone as it hired its 5,000th Associate.

2014



In **2014**, our co-founders Jack Henry and Jerry Hall were named as recipients of the Missouriian Award.

JHA TODAY

~6,000
employees

40+
offices
nationwide

5 core
processing
systems

300+
products
and services

\$1.355
BILLION
in revenue

30
years as a
public company

49% of our core clients use the outsourced delivery model

50+
acquisitions

3 distinct brands

JHA Payment Solutions™ processes more than

380 million

monthly transactions representing over

\$90 billion

per month

~10,500
clients

40
years in business

The JHA logo is displayed in white lowercase letters on a solid blue rectangular background.

jha

THE 40TH ANNIVERSARY CULTURE PROJECT

In early 2016, we initiated a campaign where we asked our associates, clients, and partners: *What does the Jack Henry & Associates culture mean to you?*

Hundreds responded, and each submission is included in our JHA Culture Book which we printed and digitally published at www.jackhenry.com/jha40years.

Among the entries submitted by our associates, our executive team selected the Top 5 that best exemplified the JHA culture. Those submissions are featured on the following pages.

Keeping true to our company's benevolent spirit, we pledged that for each submission received, we would donate to the American Cancer Society. The monies raised from the submissions – combined with funds raised from onsite charitable events held at JHA offices around the country – will be tallied at the end of calendar year 2016 and announced on the commemorative website referenced above and on our social media channels.

A CULTURE OF VISION AND VALUES



TERRY RANDALL
Florence, Alabama
Managing Director
ProfitStars Web Solutions
Associate Since 1997

“How does something stand the test of time and still evolve as needed to survive, and even thrive?”

How can a company retain its identity and yet grow the staff from 500 to 5,000 by adding disparate parts from all over the country?

When I think about the culture of JHA I can't help but first think of the challenges that poses. As a member of a very small acquisition called Vertex more years ago than I like to admit, I had a hard time just retaining the culture of a single group.

The farther you get from the core, the harder it is to retain the core values. I think what has allowed JHA to successfully do it is by focusing a few very key elements that truly define us. Customer empathy, integrity, genuine caring for associates. Many years ago Jack and Jerry decided the things that were most important, and they lived it out and modeled it so that for the next generation it wasn't just words. They had a picture of how it looked.

Over the years, I've been privileged to observe a lot of talented people chart the direction for our company, each with their own view of the vision, and each with their own personality but they've continued the tradition of modeling those basic tenets that allow us to be the company that we are.

So the JHA Culture to me means that I go to work every day and try and uphold the same principled values that Jack and Jerry did: care about the customer, care about the staff, and always act with integrity.”

A CULTURE OF DOING WHAT'S RIGHT



DEBORAH MATTHEWS PHILLIPS

Allen, Texas

Managing Director

Payment Strategy

Associate Since 2007

“When I think about the Jack Henry culture, the old adage ‘when the going gets tough, the tough get going’ comes to mind. It’s easy for companies to stand behind their employees when times are good and things are going well, but it takes an extraordinary company to stand with their employees when times are challenging and the future is uncertain.

I am referring to the recession, a time when almost all of our competitors were conducting massive layoffs. Here at JHA, our executives stood with every employee by choosing not to lay off people. Instead, we all (everyone from executive to entry level) took a modest pay cut for a short period of time, until the economy started turning around.

JHA did that to not only support its employees, but also to ensure our customers could continue to receive the support they needed. Now that’s a company that truly believes in doing the right thing and it demonstrates it through both word and deed.”

A CULTURE OF SUPPORT



VICTORIA STROMAN

Charlotte, North Carolina
Administrative Assistant II
Facilities

Associate Since 2007

“‘Supportive’ is what JHA culture means to me.

Before coming to JHA, I had moved to Charlotte from New York City in August of 2006. My job search was difficult, while trying to learn a new city. I had only one family member here for support. I applied online to JHA in February of 2007 and was offered the position about a week later.

I was so excited to land a job where they seemed interested in who I was. I started work two days before Valentine’s Day. I was presented with a handwritten “WELCOME VICKY” sign on my desk. It was heartfelt – I literally got emotional.

Since working here, I have met so many interesting people from athletes to musicians to bakers. I have fallen into a culture of support and diversity. At JHA, employees are encouraged to take action on their health, exercise and can compete for fun. That kind of support can make a better person. My family is envious of the celebrations that are acknowledged: the birthdays, anniversaries, sports-kickoffs and holiday luncheons. The culture is welcoming to new and existing employees that may encounter difficult times in their lives.

JHA employees are always giving back to each other and others through charity events, catastrophic reliefs, etc. I love the selflessness. It is this family environment of support that kept me strong. I continue to be encouraged to learn new things with the support of JHA applications, trainings, schooling and the business environment itself.

Happy 40th anniversary, JHA. Thanks for the opportunity and nine years of continuous employment.”

A CULTURE OF LIVELIHOOD



ANGELINA DAVIS

Lenexa, Kansas

Advanced Technical Support Representative

ProfitStars Web Solutions

Associate Since 2012

“For me, JHA Culture means livelihood.

When I joined the company four years ago, I was a single mom doing hair for a living. I enjoyed what I did but I had bigger dreams and working with websites was one of them. I imagine my profession back then didn't make sense transitionally but it was JHA who took a chance on me. It was JHA who opened a door for me. It was JHA who believed in me.

I had no idea when joining this company, that I would not only be welcomed but embraced over the years. Like any job, some days are harder than others BUT unlike every other job I have had, I WANT to be here each day. I love our customers. I love my peers. I love working for my manager and quite frankly, that is huge to me! JHA takes care of its own and I would literally recruit everyone I know to work here if I could.

When I talk about work to my friends and family, they hear passion and love and appreciation. So many people lack that in their own careers and I sincerely know that am more than blessed to be somewhere that I can confidently say –

I feel valued here.

I am valued here.

I love the company I work for.

And I can't imagine being anywhere else.

I am looking forward to the next four years – thank you JHA for empowering me to be greater!”

A CULTURE OF APPRECIATION



JAMES HALL

Monett, Missouri

Advanced Programming Analyst

Core Integration

Associate Since 2014

“Speaking from personal experience, large companies tend to have a disconnect with their associates. I’ve worked for companies where I not only felt invisible, but where my best was never good enough. Five days a week, I dragged myself into a culture built on oppression and fear. It’s terrible and it’s common.

I’ve also worked with small companies and start-up companies. Some of them were wonderful, making me feel valued as a member of the team, giving out Christmas bonuses, saying ‘James, you did awesome on this! We are so glad to have you!’ But then, the dark clouds roll in and the business has no choice but to close up shop. Stability was always the issue with small companies.

When I first came to JHA, I had a deep worry for what I was getting into. I was so concerned that I would be subjecting myself to another company culture I couldn’t stand, despite all the rumors I’d heard of it being a wonderful place to work. It didn’t take long for my worries to subside.

JHA is the best of both worlds. It’s a strong company with a small company attitude. Cares about their associates: check! Shows their associates appreciation continuously: check! Offers everything required to succeed and grow: check! Gives their associates a better work-life balance than any other company in the world: check! Promotes a culture built on happy associates being successful: check!

My only complaint is the passage of time. It feels like months have turned to weeks and weeks to days. Time flies while you are having fun.”

A CULTURE OF STRONG CLIENT RELATIONSHIPS

"Jack Henry & Associates has always been a great partner to work with. Through the many conversions, acquisitions, upgrades, installations, and migrations we have gone through, each and every Jack Henry contact has always been willing to do whatever it takes to get the job done. Every Jack Henry employee that I have worked with, whether in person, via phone or e-mail, has always seemed to truly enjoy their job and helping others get the right answer and get the job done. Many of the Jack Henry employees that I have met throughout the years have become good friends and trusted resources. The fact that the company culture promotes such positive outlooks, reactions, and results is one of the cornerstones of the company's continuing success and a tribute to the legacy that Jack Henry and Jerry Hall ingrained into the company. I, too, am celebrating my 40th anniversary in banking this year and for half of those years I have been working with Jack Henry & Associates and I feel that this association/partnership has enhanced my career in banking."

DIANE PELCHAT | NORTHWAY BANK |
BERLIN, NEW HAMPSHIRE
CLIENT SINCE 1997



"JHA culture has always meant customer service to us. As an in-house bank in March 1998, when a tornado went through our town, we experienced the expertise of JHA personnel to get us up and processing the next day ... which of course was month-end, quarter-end. The help and support we received was above and beyond. We were able to process work at the St. Paul Data Center and complete daily work with minimal impact to our customer base. After five days of processing at the Data Center we were back in-house, the JHA personnel continued to support us and transitioned us back into our daily routine. An event never to be forgotten and made much easier by JHA. Not every 'crisis' we face is as traumatic as a tornado, but we can always count on the support and knowledge of JHA staff. Thank you!"

JEAN GANSEN | NICOLLET COUNTY BANK |
ST. PETER, MINNESOTA
CLIENT SINCE 1998

"The JHA culture to us has always been about pushing forward, overcoming challenges, and working together. From the days of our first AS400 to our new Power 8, from proof machines and reader sorters to 4|sight scanning and Check 21, from dial up to broadband we have worked together to meet many challenges and found support staff that have become friends after over 20 years of working together. While nothing is without struggle at times, working together has always made our relationship sound."

REBECCA PALMER | PROGRESSIVE BANK, N.A. | WHEELING, WEST VIRGINIA
CLIENT SINCE 1995



“Thanks for being a great partner!”

BRIAN BENNETT | WILSON BANK & TRUST | LEBANON, TENNESSEE
CLIENT SINCE 1986

“In 1983, the State Bank of Medford made the bold decision to partner with Jack Henry & Associates and bring its core processing in-house. A small group of us jumped into a car and traveled to the small city of Rock Valley, Iowa for a week of training. Life was never the same after that! Our IBM System 34 computer and noisy reader/sorter took up almost the entire room! Our data was saved on big eight-inch floppy disks and end-of-day processing took four hours on a good night. When we encountered a problem during processing, we called a JHA programmer for assistance. There was no such thing as WebEx, so the programmer would have to talk us through troubleshooting and often times, would give us instructions on how to key in program changes and restart processing where we left off. We learned so much from those programmers!

Over the years, we added one new JHA product after another. We always looked forward to the folks from JHA coming to our bank for installs. In fact, Jack Henry himself visited our bank on a couple of occasions and Jerry Hall installed our first IBM teller machines! A lot has changed in banking over the years, but some things have not—JHA still provides exceptional customer service!”

GAIL THIEME | COMMUNITY FINANCIAL BANK | PRENTICE, WISCONSIN
CLIENT SINCE 1983

Brady National Bank’s acclamation for Jack Henry & Associates. Congratulations on 40 years:

- JUDICIOUS
- ADAPTABILITY
- CONSIDERATE
- KNOWLEDGEABLE
- HELPFUL
- EDUCATOR
- NOBLE
- RELIABLE
- YOUR TRUE FRIEND
- &
- ACCESSIBLE
- SUPPORTING
- STABILITY
- OUTSTANDING
- CONFIDENT
- INNOVATIVE
- ACCOMMODATING
- TRUSTING
- EXCELLENCE
- STRENGTH

JULIE LEDEZMA-RODRIGUEZ | BRADY NATIONAL BANK | BRADY, TEXAS
CLIENT SINCE 1994

“Jack Henry and Associates has provided a culture of business, friendships, and excellence. They strive to be the best in the industry in the way they develop, involve, and evolve the banking industry. Congratulations to 40 years of success.”

PAULA BODKIN | EVABANK | EVA, ALABAMA
CLIENT SINCE 1986

2016
FINANCIALS

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 2016		Fiscal 2015	
	High	Low	High	Low
Fourth Quarter	\$ 87.27	\$ 80.44	\$ 70.25	\$ 60.10
Third Quarter	86.23	73.19	70.18	60.60
Second Quarter	79.92	68.31	63.85	51.86
First Quarter	71.75	63.84	60.84	54.78

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 2016 and 2015 are as follows:

	Fiscal 2016	Fiscal 2015
Fourth Quarter	\$ 0.280	\$ 0.250
Third Quarter	0.280	0.250
Second Quarter	0.250	0.220
First Quarter	0.250	0.220

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 24, 2016, there were approximately 92,900 holders of the Company's common stock. On that same date the last sale price of the common shares as reported on NASDAQ was \$87.82 per share.

Issuer Purchases of Equity Securities

The following shares of the Company were repurchased during the quarter ended June 30, 2016:

	Total Number of Shares Purchased ⁽¹⁾	Average Price of Share	Total Number of Shares Purchased as Part of Publicly Announced Plans ⁽¹⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plans ⁽²⁾
April 1- April 30, 2016	—	—	—	6,028,499
May 1- May 31, 2016	—	—	—	6,028,499
June 1- June 30 2016	246,746	83.36	246,400	5,782,099
Total	246,746	83.36	246,400	5,782,099

⁽¹⁾ 246,400 shares were purchased through a publicly announced repurchase plan. There were 346 shares surrendered to the Company to satisfy tax withholding obligations in connection with employee restricted stock awards.

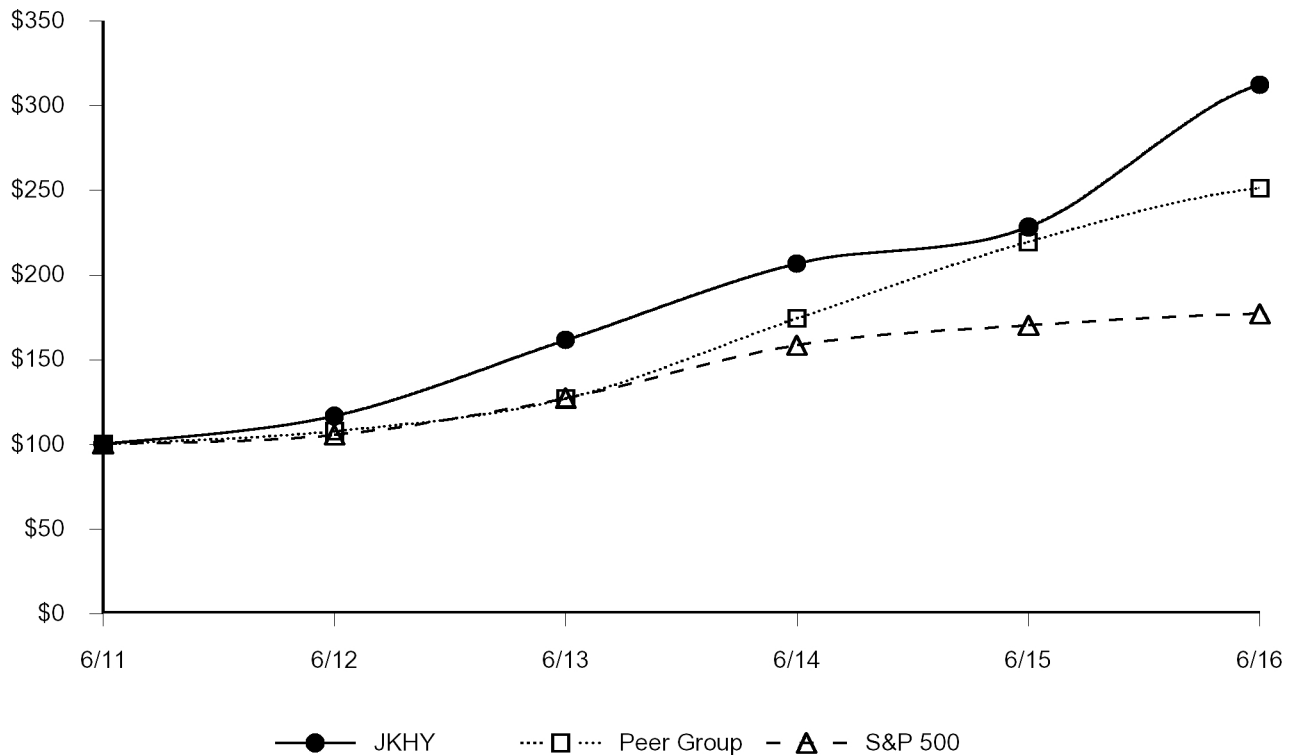
⁽²⁾ Total stock repurchase authorizations approved by the Company's Board of Directors as of February 17, 2015 were for 30.0 million shares. These authorizations have no specific dollar or share price targets and no expiration dates.

PERFORMANCE GRAPH

The following chart presents a comparison for the five-year period ended June 30, 2016, 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:

	2011	2012	2013	2014	2015	2016
JKHY	100.00	116.62	161.33	206.53	228.24	312.11
Peer Group	100.00	107.65	126.89	174.28	219.46	251.24
S&P 500	100.00	105.45	127.17	158.46	170.22	177.02

This comparison assumes \$100 was invested on June 30, 2011, 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.

Companies in the 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., Moneygram International, Inc., SS&C Technologies Holdings, Inc., Total Systems Services, Inc., Tyler Technologies, Inc., Verifone Systems, Inc., and WEX, Inc..

Heartland Payment Systems, Inc. was removed from the peer group as it merged with Global Payments, Inc. in April 2016.

SELECTED FINANCIAL DATA

Selected Financial Data

(In Thousands, Except Per Share Data)

YEAR ENDED JUNE 30,

	2016	2015	2014	2013	2012
<u>Income Statement Data</u>					
Revenue ⁽¹⁾	\$ 1,354,646	\$ 1,256,190	\$ 1,173,173	\$ 1,107,524	\$ 1,017,667
Income from continuing operations	\$ 248,867	\$ 211,221	\$ 186,715	\$ 167,610	\$ 152,040
Basic net income per share, continuing operations	\$ 3.13	\$ 2.60	\$ 2.20	\$ 1.95	\$ 1.76
Diluted net income per share, continuing operations	\$ 3.12	\$ 2.59	\$ 2.19	\$ 1.94	\$ 1.74
Dividends declared per share	\$ 1.06	\$ 0.94	\$ 0.84	\$ 0.56	\$ 0.44
<u>Balance Sheet Data</u>					
Total deferred revenue	\$ 521,054	\$ 531,987	\$ 492,868	\$ 439,596	\$ 409,139
Total assets	\$ 1,815,512	\$ 1,836,835	\$ 1,680,703	\$ 1,672,386	\$ 1,655,652
Long-term debt	\$ —	\$ 50,102	\$ 3,729	\$ 7,366	\$ 106,166
Stockholders' equity	\$ 996,210	\$ 991,534	\$ 967,387	\$ 1,015,816	\$ 935,738

⁽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 6,000 associates nationwide, and is a leading provider of technology solutions and payment processing services primarily for financial services organizations. Its solutions serve over 10,500 customers and are marketed and supported through three primary brands. Jack Henry Banking® supports banks ranging from community banks to multi-billion dollar institutions with assets up to \$30 billion, 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 highly 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, outsourced, or 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 randomly generated daily 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.

A significant proportion of our revenue is derived from recurring outsourcing fees and electronic payment 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 which primarily contain annual contract terms, implementation services revenue, and bundled services revenue, which is a combination of license, implementation, and maintenance revenue from our revenue arrangements. 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 \$1,017,667 in fiscal 2012 to \$1,354,646 in fiscal 2016. Income from continuing operations has grown from \$152,040 in fiscal 2012 to \$248,867 in fiscal 2016. 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 and share amounts are in thousands and discussions compare fiscal 2016 to fiscal 2015 and compare fiscal 2015 to fiscal 2014.

RESULTS OF OPERATIONS

FISCAL 2016 COMPARED TO FISCAL 2015

In fiscal 2016, revenues increased 8% or \$98,456 compared to the fiscal 2015, with strong growth continuing in our support and service revenues, particularly our outsourcing services, bundled services, and electronic payment services. Cost of sales increased just 7%, contributing to an 8% increase in gross profit. Net operating expenses increased 1%, and the provision for income taxes increased 6% compared to the prior year. The increased revenue and above changes resulted in a combined 18% increase in net income for fiscal 2016.

We move into fiscal 2017 following a strong performance in fiscal 2016. 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, efficiency, and security. 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.

A detailed discussion of the major components of the results of operations for the fiscal year ended June 30, 2016 follows. All dollar amounts are in thousands and discussions compare the current fiscal year ended June 30, 2016 to the prior fiscal year ended June 30, 2015.

REVENUE

License Revenue	Year Ended June 30,		% Change
	2016	2015	
License	\$ 3,041	\$ 2,635	15%
Percentage of total revenue	<1%	<1%	

License revenue represents the sale and delivery of application software systems contracted with us by the customer, which are not part of a bundled arrangement. 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.

Non-bundled license revenue increased due mainly to an increase in standalone license sales in our Banking segment. Such license fees will fluctuate as non-bundled license sales are sporadic in nature.

Support and Service Revenue	Year Ended June 30,		% Change
	2016	2015	
Support and service	\$ 1,300,978	\$ 1,200,652	8%
Percentage of total revenue	96%	96%	

	Year over Year	
	\$ Change	% Change
In-House Support & Other Services	\$ 17,846	6%
Electronic Payment Services	28,325	6%
Outsourcing Services	33,941	13%
Implementation Services	(11,289)	(15)%
Bundled Products & Services	31,503	50%
Total Increase	\$ 100,326	

Support and service revenues are generated from supporting our customers in operating their systems and to enhance and update the software, electronic payment services, outsourced data processing services, implementation services (including conversion, installation, configuration and training) and revenue from our bundled software multi-element agreements. There was growth in most support and service revenue components in fiscal 2016.

In-house support and other services revenue increased due to annual maintenance renewal fee increases for both core and complementary products as our customers' assets grow and new customers began renewing their annual maintenance. Increased software usage revenue from Alogent mobile remote deposits also contributed to the increase.

Electronic payment services continued to show growth over the prior year, although that growth slowed due to some of our large customers being acquired and price compression on contract renewals in our card services offerings. The revenue increases are mainly attributable to strong performance across debit/credit card transaction processing services, online bill payment services and ACH processing. Deconversion revenue for electronic payment services increased \$9,617 over the prior year. Excluding these fees, we had a 4% increase in electronic payment services revenue.

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. Revenues from outsourcing services are typically earned under multi-year service contracts and therefore provide a long-term stream of recurring revenues. We expect the trend towards outsourced product delivery to benefit outsourcing services revenue for the foreseeable future.

Implementation services include implementation services for our electronic payment services customers as well as standalone customization services, merger conversion services, image conversion services and network monitoring services. Implementation services revenue decreased due to a decrease in stand-alone implementations in the banking segment. Revenue from these standalone services has decreased as implementation services related to our bundled arrangements have increased.

Bundled products and services revenue is combined revenue from the multiple elements in our bundled arrangements, including license, implementation services and maintenance, which cannot be recognized separately due to a lack of vendor-specific objective evidence of fair value. Bundled products and services revenue increased over last year mainly due to increased revenues from our core and complementary credit union arrangements. \$26,567 of the increase was due to terminations of minor pending products and services on certain contracts that have allowed for the release of revenue that was being deferred until contract completion in both our credit union and banking core and complementary arrangements.

Hardware Revenue

	Year Ended June 30,		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
Hardware	\$ 50,627	\$ 52,903	(4)%
Percentage of total revenue	4%	4%	

The Company has entered into remarketing agreements with several hardware manufacturers and suppliers 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 complementary hardware products delivered. Although there will be quarterly fluctuations, we expect an overall decreasing trend in hardware sales to continue 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 associated with non-bundled application software licenses. 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 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 or, for direct costs associated with obtaining and implementing our bundled arrangements, they were deferred and recognized ratably as the related revenues for these arrangements are recognized, typically beginning when Post Contract Support ("PCS") is the only remaining undelivered element, and ending at the end of the initial bundled PCS term.

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,		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
Cost of License	\$ 1,197	\$ 1,187	1%
Percentage of total revenue	<1%	<1%	
License Gross Profit	\$ 1,844	\$ 1,448	27%
Gross Profit Margin	61%	55%	
Cost of support and service	\$ 737,108	\$ 680,750	8%
Percentage of total revenue	54%	54%	
Support and Service Gross Profit	\$ 563,870	\$ 519,902	8%
Gross Profit Margin	43%	43%	
Cost of hardware	\$ 35,346	\$ 38,399	(8)%
Percentage of total revenue	3%	3%	
Hardware Gross Profit	\$ 15,281	\$ 14,504	5%
Gross Profit Margin	30%	27%	
TOTAL COST OF SALES	\$ 773,651	\$ 720,336	7%
Percentage of total revenue	57%	57%	
TOTAL GROSS PROFIT	\$ 580,995	\$ 535,854	8%
Gross Profit Margin	43%	43%	

Cost of license consists of the direct costs of third party software that are a part of a non-bundled arrangement. Sales of these third party software products increased slightly compared to the last year. Shifts in sales mix between the products that make up these costs cause fluctuations in the margins from period to period.

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 current period, margins were slightly higher due to increased sales of higher margin hardware upgrade products compared to the prior year.

OPERATING EXPENSES

Selling and Marketing

	Year Ended June 30,		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
Selling and marketing	\$ 90,079	\$ 89,004	1%
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 and national 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 increased slightly compared to fiscal 2015 due to increased salary expense, but remained a consistent percentage of total revenue in both periods.

Research and Development

	Year Ended June 30,		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
Research and development	\$ 81,234	\$ 71,495	14%
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. 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 personnel costs, but were consistent with the prior year as a percentage of total revenue.

General and Administrative

	Year Ended June 30,		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
General and administrative	\$ 67,514	\$ 64,364	5%
Percentage of total revenue	5%	5%	

General and administrative costs included all expenses related to finance, legal, and human resources, plus all administrative costs. These expenses increased primarily due to increased headcount and related salaries, but were a consistent percentage of revenue in each year.

Gain on Disposal of Business

In fiscal 2016, we sold our Alogent business ("Alogent") to Antelope Acquisition Co., an affiliate of Battery Ventures, resulting in a gain totaling \$19,491. In fiscal 2015, we had a gain totaling \$6,874 due to the sale of the TeleWeb™ suite of Internet and mobile banking software products to Data Center Inc. (DCI).

INTEREST INCOME AND EXPENSE

	Year Ended June 30,		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
Interest Income	\$ 307	\$ 169	82%
Interest Expense	\$ (1,430)	\$ (1,594)	(10)%

Interest income fluctuated due to changes in invested balances and yields on invested balances. Interest expense remained low for both the current and prior years, in line with our debt balances in both years.

PROVISION FOR INCOME TAXES

	Year Ended June 30,		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
Provision For Income Taxes	\$ 111,669	\$ 105,219	6%
Effective Rate	31.0%	33.3%	

The decrease in the effective tax rate was primarily due a significant difference in the book versus tax basis in Alogent stock, as well as the retroactive permanent extension of the Research and Experimentation Credit ("R&E Credit") to January 1, 2015 during fiscal 2016.

NET INCOME

Net income increased from \$211,221, or \$2.59 per diluted share, in fiscal 2015 to \$248,867, or \$3.12 per diluted share, in fiscal 2016. This translates to an increase of 18% in net income.

FISCAL 2015 COMPARED TO FISCAL 2014

In fiscal 2015, revenues increased 7% or \$83,017 compared to the prior year due primarily to growth in all components of support and service revenues, particularly our electronic payment services and our outsourcing services. Cost of sales increased 6%, in line with revenue. 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 increased 6% and the provision for income taxes increased 4% compared to the prior year-to-date period. The increased revenue and above changes resulted in a combined 13% increase in net income for fiscal 2015.

REVENUE

License Revenue	Year Ended June 30,		<u>% Change</u>
	<u>2015</u>	<u>2014</u>	
License	\$ 2,635	\$ 2,184	21%
Percentage of total revenue	<1%	<1%	

License revenue represents the sale and delivery of application software systems contracted with us by the customer, which are not part of a bundled arrangement. 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.

Non-bundled license revenue increased due mainly to an increase in standalone license sales in our Credit Union segment. Such license fees will fluctuate as non-bundled license sales are sporadic in nature.

Support and Service Revenue	Year Ended June 30,		<u>% Change</u>
	<u>2015</u>	<u>2014</u>	
Support and service	\$ 1,200,652	\$ 1,112,331	8%
Percentage of total revenue	96%	95%	

	<u>Year over Year Change</u>	
	<u>\$ Change</u>	<u>% Change</u>
In-House Support & Other Services	\$ 3,603	1%
Electronic Payment Services	38,321	9%
Outsourcing Services	35,490	15%
Implementation Services	8,704	13%
Bundled Products & Services	2,203	4%
Total Increase	\$ 88,321	

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, implementation services (including conversion, installation, configuration and training) and revenue from our bundled software multi-element agreements. There was growth in all components of support and service revenue in fiscal 2015.

In-house support and other services revenue increased due to annual maintenance renewal fee increases for both core and complementary products as our customers' assets grow.

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 include implementation services for our outsourcing and electronic payment services customers as well as standalone customization services, merger conversion services, image conversion services and network monitoring services. Implementation services revenue increased due mainly to increased implementations across our core, online banking, imaging solutions and payments products.

Bundled products and services revenue is combined revenue from the multiple elements in our bundled arrangements, including license, implementation services and maintenance, which cannot be recognized separately due to a lack of vendor-specific objective evidence of fair value. Bundled products and services revenue increased slightly from last year mainly due to increased revenues from our core and complementary banking products, furthered by an increase in core credit union products. The increase was partially offset by reduced revenues from our Alogent suite of remote deposit capture products.

Hardware Revenue	Year Ended June 30,		<u>% Change</u>
	<u>2015</u>	<u>2014</u>	
Hardware	\$ 52,903	\$ 58,658	(10)%
Percentage of total revenue	4%	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 due to a decrease in complementary hardware products delivered. Although there will be quarterly fluctuations, we expect an overall decreasing trend in hardware sales to continue 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 non-bundled application software licenses. 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 or, for direct costs associated with obtaining and implementing our bundled arrangements, they are deferred and recognized ratably as the related revenues for these arrangements are recognized, typically beginning when PCS is the only remaining undelivered element, and ending at the end of the initial bundled PCS term. 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.

	<u>Year Ended June 30,</u>		<u>% Change</u>
	<u>2015</u>	<u>2014</u>	
Cost of License	\$ 1,187	\$ 908	31%
Percentage of total revenue	<1%	<1%	
License Gross Profit	\$ 1,448	\$ 1,276	13%
Gross Profit Margin	55%	58%	
Cost of support and service	\$ 680,750	\$ 634,756	7%
Percentage of total revenue	54%	54%	
Support and Service Gross Profit	\$ 519,902	\$ 477,575	9%
Gross Profit Margin	43%	43%	
Cost of hardware	\$ 38,399	\$ 43,708	(12)%
Percentage of total revenue	3%	4%	
Hardware Gross Profit	\$ 14,504	\$ 14,950	(3)%
Gross Profit Margin	27%	25%	
TOTAL COST OF SALES	\$ 720,336	\$ 679,372	6%
Percentage of total revenue	57%	58%	
TOTAL GROSS PROFIT	\$ 535,854	\$ 493,801	9%
Gross Profit Margin	43%	42%	

Cost of license consisted of the direct costs of third party software that was part of a non-bundled arrangement. Sales of these third party software products increased compared to last year, causing a decrease in gross profit margins. Shifts in sales mix between the products that make up these costs cause fluctuations in the margins from period to period.

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

In general, changes in cost of hardware trended consistently with hardware revenue. For the fiscal year, margins were slightly higher due to increased sales of higher margin hardware upgrade products.

OPERATING EXPENSES

Selling and Marketing

	<u>Year Ended June 30,</u>		<u>% Change</u>
	<u>2015</u>	<u>2014</u>	
Selling and marketing	\$ 89,004	\$ 85,443	4%
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 and a general increase in sales headcount and related personnel salaries. 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
	2015	2014	
Research and development	\$ 71,495	\$ 66,748	7%
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 personnel costs, but were consistent with the prior year as a percentage of total revenue.

General and Administrative

	Year Ended June 30,		% Change
	2015	2014	
General and administrative	\$ 64,364	\$ 53,312	21%
Percentage of total revenue	5%	5%	

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

General and administrative expenses in the current year were higher due to the impact of a Lyndhurst related insurance recovery in the prior year coupled with increased headcount and related personnel costs. These costs were consistent with the prior year as a percentage of total revenue.

Gain on Disposal of Business

In fiscal 2015, we had a gain totaling \$6,874 due to the sale of the TeleWeb™ suite of Internet and mobile banking software products to Data Center Inc. (DCI). No businesses were disposed of in fiscal 2014.

INTEREST INCOME AND EXPENSE

	Year Ended June 30,		% Change
	2015	2014	
Interest Income	\$ 169	\$ 377	(55)%
Interest Expense	\$ (1,594)	\$ (1,105)	44%

Interest income fluctuated due to changes in invested balances and yields on invested balances. Interest expense increased due to interest on the borrowing from our revolving credit facility in the second quarter.

PROVISION FOR INCOME TAXES

	Year Ended June 30,		% Change
	2015	2014	
Provision For Income Taxes	\$ 105,219	\$ 100,855	4%
Effective Rate	33.3%	35.1%	

The decrease in the effective tax rate was primarily due to favorable state tax law changes, as well as the retroactive extension of the Research & Experimentation Credit for the period January 1, 2014 to December 31, 2014 during fiscal 2015.

NET INCOME

Net income increased from \$186,715, or \$2.19 per diluted share in fiscal 2014 to \$211,221 or \$2.59 per diluted share in fiscal 2015.

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

	<u>2016</u>	<u>% Change</u>	<u>2015</u>	<u>% Change</u>	<u>2014</u>
Revenue	\$ 996,668	4%	\$ 962,729	7%	\$ 897,671
Gross profit	\$ 407,600	2%	\$ 400,659	8%	\$ 372,473
Gross profit margin	41%		42%		41%

In fiscal 2016, revenue in the Bank segment increased 4% compared to the prior fiscal year. The increase was due mainly to a 12% increase in outsourcing services. Gross profit margin decreased only slightly compared to the last fiscal year.

In fiscal 2015, revenue increased 7% overall in the Bank segment compared to the prior year. The increase was due mainly to 9% growth in electronic transaction processing services and a 14% increase in outsourcing services. Gross profit margins increased 1% over fiscal 2014.

Credit Union Systems and Services

	<u>2016</u>	<u>% Change</u>	<u>2015</u>	<u>% Change</u>	<u>2014</u>
Revenue	\$ 357,978	22%	\$ 293,461	7%	\$ 275,502
Gross profit	\$ 173,395	28%	\$ 135,195	11%	\$ 121,328
Gross profit margin	48%		46%		44%

In fiscal 2016, revenue in the Credit Union segment increased 22% due to increases in support & service revenue. Support & service revenues grew 22% through increases in electronic payment services, in-house maintenance renewals, and bundled services. Gross profit margins for the Credit Union segment increased 2% mainly due to economies of scale realized from growing transaction volume in our payment processing services.

In fiscal 2015, revenue in the Credit Union segment increased 7% due to increases in support & service revenue. Support & service revenues grew 7% through increases in electronic payment services, in-house maintenance renewals, and outsourcing services. Gross profit margins for the Credit Union segment increased mainly due economies of scale realized from growing transaction volume in our payment processing services.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents decreased to \$70,310 at June 30, 2016 from \$148,313 at June 30, 2015. The decrease from June 30, 2015 is primarily due to repayments on our revolving credit facility and repurchases of treasury stock during fiscal 2016, partially offset by increased net income and proceeds from the disposal of a business.

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

	Year Ended June 30,	
	<u>2016</u>	<u>2015</u>
Net income	\$ 248,867	\$ 211,221
Non-cash expenses	159,698	149,162
Change in receivables	(13,735)	(21,346)
Change in deferred revenue	4,364	40,565
Change in other assets and liabilities	(34,078)	(5,812)
Net cash provided by operating activities	<u>\$ 365,116</u>	<u>\$ 373,790</u>

Cash provided by operating activities decreased 2% compared to this fiscal 2015 due mainly to increased income tax payments. Cash from operations is primarily used to repay debt, pay dividends, repurchase stock, and for capital expenditures.

Cash used in investing activities for fiscal 2016 totaled \$135,963 and included: capital expenditures on facilities and equipment of \$56,325, which was mainly for the purchase of computer equipment and aircraft; \$96,411 for the ongoing enhancements and development of existing and new product offerings; \$8,275 for the acquisition of Bayside Business Solutions, net of cash acquired; and \$11,826 for the purchase

and development of internal use software. This was partially offset by \$34,030 of proceeds from the sale of our Alogent division and \$2,844 of proceeds from the sale of assets. Cash used in investing activities for fiscal 2015 totaled \$136,984 and included capital expenditures on facilities and equipment of \$54,409, which mainly included the purchase of aircraft and computer equipment, \$76,872 for the development of software, and \$14,020 for the purchase and development of internal use software. These expenditures were partially offset by \$8,135 of proceeds related to the TeleWeb™ suite of Internet and mobile banking software products and \$182 of proceeds from the sale of assets.

Financing activities used cash of \$307,156 for fiscal 2016. Cash used was \$175,662 for the purchase of treasury shares, repayment of the revolving credit facility and capital leases of \$152,500, and dividends paid to stockholders of \$84,118. This was partially offset by borrowings of \$100,000 against our revolving credit facility and \$5,124 net cash inflow from the issuance of stock and tax related to stock-based compensation. Financing activities used cash in fiscal 2015 of \$158,870. Cash used was \$122,691 for the purchase of treasury shares, dividends paid to stockholders of \$76,410, repayments of the revolving credit facility and capital leases totaling \$50,783, and debt acquisition cost of \$901. This was partially offset by borrowings of \$90,000 and \$1,915 net cash inflow from the issuance of stock and tax related to stock-based compensation.

At June 30, 2016, the Company had negative working capital of \$11,803 however, the largest component of current liabilities was deferred revenue of \$343,525, which primarily relates to our annual in-house maintenance agreements and deferred bundled product and service arrangements. The cash outlay necessary to provide the services related to these deferred revenues is significantly less than this recorded balance. In addition, we have not experienced any significant issues with our current collection efforts and we have access to remaining lines of credit in excess of \$300,000. We continue to generate substantial cash inflows from operations. Therefore, we do not anticipate any liquidity problems arising from this condition.

Capital Requirements and Resources

The Company generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures totaling \$56,325 and \$54,409 for the twelve months ending June 30, 2016 and June 30, 2015, respectively, were made primarily for additional equipment and the improvement of existing facilities. These additions were funded from cash generated by operations. At June 30, 2016, the Company had \$16,058 of purchase commitments related to property and equipment, all of which we anticipate will be funded from 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, 2016, there were 24,209 shares in treasury stock and the Company had the remaining authority to repurchase up to 5,782 additional shares. The total cost of treasury shares at June 30, 2016 is \$876,134. During fiscal 2016, the Company repurchased 2,366 treasury shares for \$175,662. At June 30, 2015, there were 21,843 shares in treasury stock and the Company had authority to repurchase up to 8,148 additional shares.

Capital leases

The Company has entered into various capital lease obligations for the use of certain computer equipment. The Company currently has short term capital lease obligations totaling \$200 at June 30, 2016. Included in property and equipment are assets under capital leases totaling \$2,329, which have accumulated depreciation totaling \$898.

Revolving credit facility

The revolving credit facility allows for borrowings of up to \$300,000, which may be increased by the Company at any time until maturity to \$600,000. The credit facility bears interest at a variable rate equal to (a) a rate based on LIBOR or (b) an alternate base rate (the highest of (i) the Prime Rate for such day, (ii) the sum of the Federal Funds Effective Rate for such day plus 0.50% and (iii) the Eurocurrency Rate for a one month Interest Period on such day for dollars plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The credit facility is 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, 2016, the Company was in compliance with all such covenants. The revolving loan terminates February 20, 2020 and at June 30, 2016 there was no outstanding balance.

Other lines of credit

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, 2016, no amount was outstanding.

OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

At June 30, 2016, the Company's total off balance sheet contractual obligations were \$65,432. This balance consists of \$49,374 of long-term operating leases for various facilities and equipment which expire from 2017 to 2030 and \$16,058 of purchase commitments related mainly to open purchase orders. The contractual obligations table below excludes \$8,390 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, 2016	Less than 1 year	1-3 years	3-5 years	More than 5 years	TOTAL
Operating lease obligations	\$ 9,515	\$ 14,486	\$ 8,452	\$ 16,921	\$ 49,374
Capital lease obligations	200	—	—	—	200
Purchase obligations	16,058	—	—	—	16,058
Total	\$ 25,773	\$ 14,486	\$ 8,452	\$ 16,921	\$ 65,632

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. In August 2015, the FASB also issued ASU No. 2015-14 which deferred the effective date of the new standard by one year. The standard and related amendments will be effective for the Company for its annual reporting period beginning July 1, 2018, including interim periods within that reporting period. Along with the deferral of the effective date, ASU No. 2015-14 allows early application as of the original effective date. Entities are allowed to transition to the new standard by either recasting prior periods or recognizing the cumulative effect as of the beginning of the period of adoption. In March 2016, the FASB issued ASU No. 2016-08, which addresses principal versus agent considerations under the new revenue standard. ASU No. 2016-10 and ASU No. 2016-12 issued in April and May 2016 also address specific aspects of the new standard. 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.

In April 2015, the FASB issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This ASU requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability (same treatment as debt discounts). ASU No. 2015-03 will be effective for the Company in its fiscal year ended June 30, 2017. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company currently classifies debt issuance costs as an asset, and will adopt these changes beginning July 1, 2016.

ASU No. 2015-17 was issued by the FASB in November 2015 as part of the Simplification Initiative. This ASU eliminates the requirement to separate deferred income tax liabilities and assets into non-current and current amounts. ASU No. 2015-17 is effective for the Company for its annual reporting period beginning July 1, 2017 and early adoption is permitted. In the third quarter of fiscal 2016, management elected to early adopt and all deferred income tax assets and liabilities are reported as non-current. At March 31, 2016, the current portion of our deferred income tax liability was \$7,034. Prior periods were not retrospectively adjusted.

The FASB issued ASU No. 2016-02, Leases, in February 2016. This ASU aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and requiring disclosure of key information regarding leasing arrangements. ASU No. 2016-02 will be effective for Jack Henry's annual reporting period beginning July 1, 2019 and early adoption is permitted. The Company is currently assessing the impact this new standard will have on our consolidated financial statements.

The FASB issued Accounting Standards Update ("ASU") No. 2016-09, Improvements to Employee Share-Based Payment Accounting in March 2016. The new standard will simplify several aspects of the accounting for share-based payment transactions, including reporting of excess tax benefits and shortfalls, application of forfeiture rates, statutory minimum withholding considerations, and classification within the statement of cash flows. ASU No. 2016-09 is effective for the Company's annual reporting period beginning July 1, 2017 and early adoption is permitted. The Company is currently evaluating the newly issued guidance, including the estimated impact it will have on our consolidated financial statements. The Company currently anticipates the changes will be adopted in the first quarter of the annual reporting period beginning July 1, 2016.

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 net of any applicable discounts 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 and services 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 deferred revenue reflected in the financial statements.

License Arrangements: For software license agreements, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery of the product or service has occurred, the fee is fixed or determinable and collection is probable. For arrangements where the fee is not fixed or determinable, revenue is deferred until payments become due. The Company's software license agreements generally include multiple products and services or "elements." Generally, none of these elements are deemed to be essential to the functionality of the other elements.

For multiple element arrangements, which contain software elements and non-software elements, we allocate revenue to the software deliverables and the non-software deliverables as a group based on the relative selling prices of all of the deliverables in the arrangement. For our non-software deliverables, we allocate the arrangement consideration based on the relative selling price of the deliverables using estimated selling price ("ESP"). For our software elements, we use VSOE for this allocation when it can be established and ESP when VSOE cannot be established.

The selling price for each element is based upon the following selling price hierarchy: VSOE if available, third party evidence ("TPE") if VSOE is not available, or ESP if neither VSOE or TPE are available. Generally, we are not able to determine TPE because our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. ESP is determined after considering both market conditions (such as the sale of similar products in the market place) and entity-specific factors (such as pricing practices and the specifics of each transaction).

For our non-software deliverables, a delivered item is accounted for as a separate unit of accounting if the delivered item has standalone value and if the customer has a general right of return relative to the delivered item, delivery or performance of the undelivered item is probable and substantially within our control.

For our software licenses and related services, including the software elements of multiple-element software and non-software arrangements, U.S. GAAP generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on VSOE of fair value. VSOE of fair value is determined for implementation services based on a rate per hour for stand-alone professional services and the estimated hours for the bundled implementation, if the hours can be reasonably estimated. VSOE of fair value is determined for post-contract support ("PCS") based upon the price charged when sold separately. For a majority of the elements within our software arrangements, we have determined that VSOE cannot be established; therefore, revenue on our software arrangements is generally deferred until the only remaining element is PCS. At that point, the entire arrangement fee is recognized ratably over the remaining PCS period, assuming that all other criteria for revenue recognition have been met. The amounts deferred are included in the balance sheet as deferred revenue and recognized as Bundled Products & Services revenue within Support & Service revenue in the consolidated statements of income.

For arrangements that include specified upgrades, such upgrades are accounted for as a separate element of the arrangement. For those specified upgrades for which VSOE of fair value cannot be determined, revenue related to the software elements within the arrangement is deferred until such specified upgrades have been delivered.

Support and Service Fee Revenue (Non-software): Maintenance support revenue contracted for outside of a license arrangement is recognized pro-rata over the contract period, typically one year.

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. The revenue related to these hardware sales is recorded gross. The Company also remarkets maintenance contracts on hardware to our customers. Gross 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).

Deferred Costs

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

Direct and incremental costs associated with arrangements subject to Accounting Standards Codification ("ASC") 985-605 (for which VSOE of fair value cannot be established) are deferred until the only remaining element in the revenue arrangement is PCS at which point the costs are recognized ratably over the remaining PCS period with the related revenue. Deferred direct and incremental costs associated with arrangements not subject to ASC 985-605 consist primarily of certain up-front costs incurred in connection with our

software hosting arrangements and are recognized ratably over the contract period which typically ranges from 5-7 years. These costs include commissions, costs of third-party licenses and the direct costs of our implementation services, consisting of payroll and other fringe benefits.

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. We consider whether there is potential for impairment of any long-lived assets, and perform testing for valuation if it is determined that there is a triggering event causing risk of impairment.

Capitalization of software development costs

We capitalize certain costs incurred to develop commercial software products. For software that is to be sold, significant estimates and assumptions include: establishing when technological feasibility has been met and costs should be capitalized, 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. Cost incurred prior to establishing technological feasibility are expensed as incurred. Amortization begins on the date of general release and 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.

For internal use software, capitalization begins at the beginning of application development. Costs incurred prior to this are expensed as incurred. Significant estimates and assumptions include determining the appropriate amortization period based on the estimated useful life and assessing the unamortized cost balances for impairment. Amortization begins on the date the software is placed in service and the amortization period is based on estimated useful life.

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 as the fair value of each reporting unit is significantly in excess of the carrying value. 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, 2016 and are therefore not currently exposed to interest risk.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

Reports of Independent Registered Public Accounting Firm	38
Management's Annual Report on Internal Control over Financial Reporting	40
Financial Statements	
Consolidated Statements of Income, Years Ended June 30, 2016, 2015, and 2014	41
Consolidated Balance Sheets, June 30, 2016 and 2015	42
Consolidated Statements of Changes in Stockholders' Equity, Years Ended June 30, 2016, 2015, and 2014	43
Consolidated Statements of Cash Flows, Years Ended June 30, 2016, 2015, and 2014	44
Notes to Consolidated Financial Statements	45

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.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of Jack Henry & Associates, Inc. and its subsidiaries at June 30, 2016, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, 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 opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated 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 the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri

August 29, 2016

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 sheet of Jack Henry & Associates, Inc. and subsidiaries (the "Company") as of June 30, 2015, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the two years in the period ended June 30, 2015. 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, 2015, and the results of their operations and their cash flows for each of the two years in the period ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Kansas City, Missouri
September 11, 2015

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, as such term is defined in Exchange Act Rule 13a-15(f). 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 of the Company; 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 of the Company 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 June 30, 2016, 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 (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded the Company's internal control over financial reporting as of June 30, 2016 was effective.

The Company's internal control over financial reporting as of June 30, 2016 has been audited by the Company's independent registered public accounting firm, as stated in their report on the previous page.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data)

	Year Ended		
	June 30,		
	2016	2015	2014
REVENUE			
License	\$ 3,041	\$ 2,635	\$ 2,184
Support and service	1,300,978	1,200,652	1,112,331
Hardware	50,627	52,903	58,658
Total revenue	1,354,646	1,256,190	1,173,173
COST OF SALES			
Cost of license	1,197	1,187	908
Cost of support and service	737,108	680,750	634,756
Cost of hardware	35,346	38,399	43,708
Total cost of sales	773,651	720,336	679,372
GROSS PROFIT	580,995	535,854	493,801
OPERATING EXPENSES			
Selling and marketing	90,079	89,004	85,443
Research and development	81,234	71,495	66,748
General and administrative	67,514	64,364	53,312
Gain on disposal of a business	(19,491)	(6,874)	—
Total operating expenses	219,336	217,989	205,503
OPERATING INCOME	361,659	317,865	288,298
INTEREST INCOME (EXPENSE)			
Interest income	307	169	377
Interest expense	(1,430)	(1,594)	(1,105)
Total interest income (expense)	(1,123)	(1,425)	(728)
INCOME BEFORE INCOME TAXES	360,536	316,440	287,570
PROVISION FOR INCOME TAXES	111,669	105,219	100,855
NET INCOME	\$ 248,867	\$ 211,221	\$ 186,715
Basic earnings per share	\$ 3.13	\$ 2.60	\$ 2.20
Basic weighted average shares outstanding	79,416	81,353	84,866
Diluted earnings per share	\$ 3.12	\$ 2.59	\$ 2.19
Diluted weighted average shares outstanding	79,734	81,601	85,396

See notes to consolidated financial statements.

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

(In Thousands, Except Share and Per Share Data)

	June 30, 2016	June 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 70,310	\$ 148,313
Receivables, net	253,923	245,387
Income tax receivable	15,636	2,753
Prepaid expenses and other	56,588	69,096
Deferred costs	35,472	27,950
Total current assets	431,929	493,499
PROPERTY AND EQUIPMENT, net	298,564	296,332
OTHER ASSETS:		
Non-current deferred costs	99,799	96,423
Computer software, net of amortization	222,115	191,541
Other non-current assets	70,461	52,432
Customer relationships, net of amortization	104,085	122,204
Other intangible assets, net of amortization	35,706	34,038
Goodwill	552,853	550,366
Total other assets	1,085,019	1,047,004
Total assets	\$ 1,815,512	\$ 1,836,835
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 14,596	\$ 9,933
Accrued expenses	85,411	78,962
Accrued income taxes	—	5,543
Deferred income tax liability	—	7,034
Notes payable and current maturities of long term debt	200	2,595
Deferred revenues	343,525	339,544
Total current liabilities	443,732	443,611
LONG TERM LIABILITIES:		
Non-current deferred revenues	177,529	192,443
Non-current deferred income tax liability	188,601	150,223
Debt, net of current maturities	—	50,102
Other long-term liabilities	9,440	8,922
Total long term liabilities	375,570	401,690
Total liabilities	819,302	845,301
STOCKHOLDERS' EQUITY		
Preferred stock - \$1 par value; 500,000 shares authorized, none issued	—	—
Common stock - \$0.01 par value; 250,000,000 shares authorized; 102,903,971 shares issued at June 30, 2016;	1,029	1,027
102,695,214 shares issued at June 30, 2015		
Additional paid-in capital	440,123	424,536
Retained earnings	1,431,192	1,266,443
Less treasury stock at cost		
24,208,517 shares at June 30, 2016;	(876,134)	(700,472)
21,842,632 shares at June 30, 2015		
Total stockholders' equity	996,210	991,534
Total liabilities and equity	\$ 1,815,512	\$ 1,836,835

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,		
	2016	2015	2014
PREFERRED SHARES:	—	—	—
COMMON SHARES:			
Shares, beginning of year	102,695,214	102,429,926	101,993,808
Shares issued for equity-based payment arrangements	121,348	172,661	344,372
Shares issued for Employee Stock Purchase Plan	87,409	92,627	91,746
Shares, end of year	<u>102,903,971</u>	<u>102,695,214</u>	<u>102,429,926</u>
COMMON STOCK - PAR VALUE \$0.01 PER SHARE:			
Balance, beginning of year	\$ 1,027	\$ 1,024	\$ 1,020
Shares issued for equity-based payment arrangements	1	2	3
Shares issued for Employee Stock Purchase Plan	1	1	1
Balance, end of year	<u>\$ 1,029</u>	<u>\$ 1,027</u>	<u>\$ 1,024</u>
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of year	\$ 424,536	\$ 412,512	\$ 400,710
Shares issued upon exercise of stock options	696	640	606
Tax withholding related to share based compensation	(2,590)	(7,951)	(6,598)
Shares issued for Employee Stock Purchase Plan	5,710	4,880	4,283
Tax benefits from share-based compensation	1,051	4,343	3,420
Stock-based compensation expense	10,720	10,112	10,091
Balance, end of year	<u>\$ 440,123</u>	<u>\$ 424,536</u>	<u>\$ 412,512</u>
RETAINED EARNINGS:			
Balance, beginning of year	\$ 1,266,443	\$ 1,131,632	\$ 1,016,168
Net income	248,867	211,221	186,715
Dividends	(84,118)	(76,410)	(71,251)
Balance, end of year	<u>\$ 1,431,192</u>	<u>\$ 1,266,443</u>	<u>\$ 1,131,632</u>
TREASURY STOCK:			
Balance, beginning of year	\$ (700,472)	\$ (577,781)	\$ (402,082)
Purchase of treasury shares	(175,662)	(122,691)	(175,699)
Balance, end of year	<u>\$ (876,134)</u>	<u>\$ (700,472)</u>	<u>\$ (577,781)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 996,210</u>	<u>\$ 991,534</u>	<u>\$ 967,387</u>
Dividends declared per share	\$ 1.06	\$ 0.94	\$ 0.84

See notes to consolidated financial statements.

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

(In Thousands)

	Year Ended June 30,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 248,867	\$ 211,221	\$ 186,715
Adjustments to reconcile net income from operations to net cash from operating activities:			
Depreciation	50,571	54,155	52,935
Amortization	79,077	64,841	54,836
Change in deferred income taxes	37,524	29,443	12,752
Excess tax benefits from stock-based compensation	(1,306)	(4,343)	(3,406)
Expense for stock-based compensation	10,720	10,112	10,091
(Gain)/loss on disposal of assets and businesses	(16,888)	(5,046)	(784)
Changes in operating assets and liabilities:			
Change in receivables	(13,735)	(21,346)	7,498
Change in prepaid expenses, deferred costs and other	(29,577)	(33,858)	(28,565)
Change in accounts payable	4,663	(583)	(1,252)
Change in accrued expenses	7,460	14,483	(6,364)
Change in income taxes	(16,624)	14,146	5,251
Change in deferred revenues	4,364	40,565	51,952
Net cash from operating activities	365,116	373,790	341,659
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for acquisitions, net of cash acquired	(8,275)	—	(27,894)
Capital expenditures	(56,325)	(54,409)	(33,185)
Proceeds from the sale of businesses	34,030	8,135	—
Proceeds from the sale of assets	2,844	182	7,781
Internal use software	(11,826)	(14,020)	(16,288)
Computer software developed	(96,411)	(76,872)	(62,194)
Net cash from investing activities	(135,963)	(136,984)	(131,780)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on credit facilities	100,000	90,000	25,000
Repayments on credit facilities	(152,500)	(50,783)	(47,158)
Debt acquisition costs	—	(901)	—
Purchase of treasury stock	(175,662)	(122,691)	(175,699)
Dividends paid	(84,118)	(76,410)	(71,251)
Excess tax benefits from stock-based compensation	1,306	4,343	3,406
Proceeds from issuance of common stock upon exercise of stock options	697	642	609
Minimum tax withholding payments related to share based compensation	(2,590)	(7,951)	(6,598)
Proceeds from sale of common stock	5,711	4,881	4,284
Net cash from financing activities	(307,156)	(158,870)	(267,407)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (78,003)	\$ 77,936	\$ (57,528)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 148,313	\$ 70,377	\$ 127,905
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 70,310	\$ 148,313	\$ 70,377

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 income and the consolidated statement of cash flows for the year ended June 30, 2015 have been reclassified to separately disclose the gain on disposal of businesses and proceeds from the sale of businesses. This adjustment resulted in disclosures on disposal of a business as a separate line to the consolidated statements of income and increased general and administrative operating expense by \$6,874 for June 30, 2015. This new line only included gains on the sales of businesses. All other gains and losses on assets are still included in the line items to which they relate. There was no change in total operating expenses. The adjustment also resulted in a separate line on the consolidated statements of cash flows for proceeds from the sale of businesses and decreased proceeds from sale of assets by \$8,135 for June 30, 2015. There was no change to net cash from investing activities or total cash flows.

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 arrangements, support and service fees (non-software) and hardware sales. There are no rights of return, condition of acceptance or price protection in the Company's sales contracts.

License Arrangements: For software license agreements, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery of the product or service has occurred, the fee is fixed or determinable and collection is probable. For arrangements where the fee is not fixed or determinable, revenue is deferred until payments become due. The Company's software license agreements generally include multiple products and services or "elements." Generally, none of these elements are deemed to be essential to the functionality of the other elements.

For multiple element arrangements, which contain software elements and non-software elements, we allocate revenue to the software deliverables and the non-software deliverables as a group based on the relative selling prices of all of the deliverables in the arrangement. For our non-software deliverables, we allocate the arrangement consideration based on the relative selling price of the deliverables using estimated selling price ("ESP"). For our software elements, we use vendor-specific objective evidence ("VSOE") for this allocation when it can be established and ESP when VSOE cannot be established.

The selling price for each element is based upon the following selling price hierarchy: VSOE if available, third party evidence ("TPE") if VSOE is not available, or ESP if neither VSOE or TPE are available. Generally, we are not able to determine TPE because our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. ESP is determined after considering both market conditions (such as the sale of similar products in the market place) and entity-specific factors (such as pricing practices and the specifics of each transaction).

For our non-software deliverables, a delivered item is accounted for as a separate unit of accounting if the delivered item has standalone value and if the customer has a general right of return relative to the delivered item, delivery or performance of the undelivered item is probable and substantially within our control.

For our software licenses and related services, including the software elements of multiple-element software and non-software arrangements, 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. VSOE of fair value is determined for implementation services based on a rate per hour for stand-alone professional services and the estimated hours for the bundled implementation, if the hours can be reasonably estimated. VSOE of fair value is determined for post-contract support ("PCS") based upon the price charged when sold

separately. For a majority of the elements within our software arrangements, we have determined that VSOE cannot be established; therefore, revenue on our software arrangements is generally deferred until the only remaining element is post-contract support ("PCS"). At that point, the entire arrangement fee is recognized ratably over the remaining PCS period, assuming that all other criteria for revenue recognition have been met. The amounts deferred are included in the balance sheet as deferred revenue and recognized as Bundled Products & Services revenue within Support & Service revenue in the consolidated statements of income.

For arrangements that include specified upgrades, such upgrades are accounted for as a separate element of the arrangement. For those specified upgrades for which VSOE of fair value cannot be determined, revenue related to the software elements within the arrangement is deferred until such specified upgrades have been delivered.

Total revenue recognized ratably related to our Bundled Products & Services was \$94,391, \$62,888, and \$60,685 for the years ended June 30, 2016, 2015, and 2014, respectively.

Support and Service Fee Revenue (Non-software): Maintenance support revenue contracted for outside of a license arrangement is recognized pro-rata over the contract period, typically one year.

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. The revenue related to these hardware sales is recorded gross. 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).

DEFERRED COSTS

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

Direct and incremental costs associated with arrangements subject to Accounting Standards Codification ("ASC") 985-605 (for which VSOE of fair value cannot be established) are deferred until the only remaining element in the revenue arrangement is PCS at which point the costs are recognized ratably over the remaining PCS period with the related revenue. Deferred direct and incremental costs associated with arrangements not subject to ASC 985-605 consist primarily of certain up-front costs incurred in connection with our software hosting arrangements and are recognized ratably over the contract period which typically ranges from 5-7 years. These costs include commissions, costs of third-party licenses and the direct costs of our implementation services, consisting of payroll and other fringe benefits.

DEFERRED REVENUES

Deferred revenues consist primarily of prepaid annual software support fees, deferred bundled software arrangements revenue, and prepaid hardware maintenance fees. Deferred bundled software arrangements revenue and hardware maintenance contracts may be recognized over multiple years; therefore, the related deferred revenue and maintenance are classified as current or non-current in accordance with the terms of the contract. Software and hardware deposits received are also reflected as deferred revenues.

The vast majority of our maintenance (PCS) renews annually and runs from July 1 to June 30. Renewal billings are submitted to customers each June and the Company has the right to bill at that date; therefore we include those billings as gross in deferred revenue and as a receivable on our balance sheet at the end of each fiscal year.

COMPUTER SOFTWARE DEVELOPMENT

The Company capitalizes new product development costs incurred for software to be sold 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.

The Company capitalizes development costs for internal use software beginning at the start of application development. Amortization begins on the date the software is placed in service and the amortization period is based on estimated useful life.

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.

ACCOUNTS RECEIVABLE

Receivables are recorded at the time of billing. A reasonable estimate the realizability of customer receivables is made through the establishment of an allowance for doubtful accounts, which is estimated based on a combination of write-off history, aging analysis, and any specifically known collection issues.

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 three 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 ending June 30, 2016, 2015, and 2014 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, 2016, there were 24,209 shares in treasury stock and the Company had the remaining authority to repurchase up to 5,782 additional shares. The total cost of treasury shares at June 30, 2016 is \$876,134. During fiscal 2016, the Company repurchased 2,366 treasury shares for \$175,662. At June 30, 2015, there were 21,843 shares in treasury stock and the Company had authority to repurchase up to 8,148 additional shares.

Dividends declared per share were \$1.06, \$0.94, and \$0.84 for the years ended June 30, 2016, 2015, and 2014, 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 and restricted stock (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 benefit 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. In August 2015, the FASB also issued ASU No. 2015-14 which deferred the effective date of the new standard by one year. The standard and related amendments will be effective for the Company for its annual reporting period beginning July 1, 2018, including interim periods within that reporting period. Along with the deferral of the effective date, ASU No. 2015-14 allows early application as of the original effective date. Entities are allowed to transition to the new standard by either recasting prior periods or recognizing the cumulative effect as of the beginning of the period of adoption. In March 2016, the FASB issued ASU No. 2016-08, which addresses principal versus agent considerations under the new revenue standard. ASU No. 2016-10 and ASU No. 2016-12 issued in April and May 2016 also address specific aspects of the new standard. 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.

In April 2015, the FASB issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This ASU requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability (same treatment as debt discounts). ASU No. 2015-03 will be effective for the Company in its fiscal year ended June 30, 2017. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company currently classifies debt issuance costs as an asset, and will adopt these changes beginning July 1, 2016.

ASU No. 2015-17 was issued by the FASB in November 2015 as part of the Simplification Initiative. This ASU eliminates the requirement to separate deferred income tax liabilities and assets into non-current and current amounts. ASU No. 2015-17 is effective for the Company for its annual reporting period beginning July 1, 2017 and early adoption is permitted. In the third quarter of fiscal 2016, management elected to early adopt and all deferred income tax assets and liabilities are reported as non-current. At March 31, 2016, the current portion of our deferred income tax liability was \$7,034. Prior periods were not retrospectively adjusted.

The FASB issued ASU No. 2016-02, Leases, in February 2016. This ASU aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and requiring disclosure of key information regarding leasing arrangements. ASU No. 2016-02 will be effective for Jack Henry's annual reporting period beginning July 1, 2019 and early adoption is permitted. The Company is currently assessing the impact this new standard will have on our consolidated financial statements.

The FASB issued Accounting Standards Update ("ASU") No. 2016-09, Improvements to Employee Share-Based Payment Accounting in March 2016. The new standard will simplify several aspects of the accounting for share-based payment transactions, including reporting of excess tax benefits and shortfalls, application of forfeiture rates, statutory minimum withholding considerations, and classification within the statement of cash flows. ASU No. 2016-09 is effective for the Company's annual reporting period beginning July 1, 2017 and early adoption is permitted. The Company is currently evaluating the newly issued guidance, including the estimated impact it will have on our consolidated financial statements. The Company currently anticipates the changes will be adopted in the first quarter of the annual reporting period beginning July 1, 2016.

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.

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, and financial liabilities is as follows:

	Estimated Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
June 30, 2016				
Financial Assets:				
Money market funds	\$ 35,782	\$ —	\$ —	\$ 35,782
Financial Liabilities:				
Revolving credit facility	\$ —	\$ —	\$ —	\$ —
June 30, 2015				
Financial Assets:				
Money market funds	\$ 98,888	\$ —	\$ —	\$ 98,888
Financial Liabilities:				
Revolving credit facility	\$ —	\$ 50,000	\$ —	\$ 50,000

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
	2016	2015	
Land	\$ 24,987	\$ 24,987	
Land improvements	25,470	25,428	5 - 20 years
Buildings	146,464	144,414	20 - 30 years
Leasehold improvements	46,897	32,169	5 - 30 years ⁽¹⁾
Equipment and furniture	337,565	327,949	3 - 10 years
Aircraft and equipment	37,967	37,695	5 - 10 years
Construction in progress	7,373	23,563	
	626,723	616,205	
Less accumulated depreciation	328,159	319,873	
Property and equipment, net	\$ 298,564	\$ 296,332	

⁽¹⁾ Lesser of lease term or estimated useful life

Property and equipment included \$651 and \$1,343 that was in accrued liabilities at June 30, 2016 and 2015, respectively. Also, the Company acquired \$4,344 of computer equipment through capital leases for the year ended June 30, 2015. There were no acquisitions through capital leases in fiscal 2016. These amounts were excluded from capital expenditures on the statements of cash flows.

NOTE 4. OTHER ASSETS

Goodwill

The carrying amount of goodwill for the years ended June 30, 2016 and 2015, by reportable segments, is as follows:

	June 30,	
	2016	2015
<i>Bank systems and services</i>		
Beginning balance	\$ 420,795	\$ 423,190
Goodwill, acquired during the year	6,099	—
Goodwill, written off related to sale	(3,612)	(2,395)
Ending balance	\$ 423,282	\$ 420,795
<i>Credit Union systems and services</i>		
Beginning balance	\$ 129,571	\$ 129,571
Goodwill, acquired during the year	—	—
Ending balance	\$ 129,571	\$ 129,571

The Goodwill acquired during the year was a result of our purchase of Bayside Business Solutions, Inc. The goodwill of \$6,099 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 Bayside Business Solutions, together with the value of Bayside Business Solutions' assembled workforce. Goodwill from this acquisition has been allocated to our banking segment.

During the year the Company sold its Alogent business (Alogent) to Antelope Acquisition Co., an affiliate of Battery Ventures. Alogent was included in our banking segment. Goodwill allocated to the carrying amount of the net assets sold was calculated based on the relative fair values of the business disposed and the portion of the reporting unit that was retained.

Other Intangible Assets

Information regarding other identifiable intangible assets is as follows:

	June 30, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 266,545	(162,460)	\$ 104,085
Computer software	\$ 474,738	(252,623)	\$ 222,115
Other intangible assets:			
Purchased software	43,692	(17,475)	26,217
Trade names	12,802	(3,313)	9,489
Other intangible assets, total	\$ 56,494	(20,788)	\$ 35,706
	June 30, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 276,337	(154,133)	\$ 122,204
Computer software	\$ 416,674	(225,133)	\$ 191,541
Other intangible assets:			
Purchased software	32,192	(7,818)	24,374
Trade names	12,498	(2,834)	9,664
Total	\$ 44,690	(10,652)	\$ 34,038

Customer relationships have lives ranging from 5 to 20 years.

Computer software includes cost of software to be sold, leased, or marketed of \$108,991 and costs of internal-use software of \$113,124 at June 30, 2016.

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 \$54,810, \$43,798, and \$37,720 for the fiscal years ended June 30, 2016, 2015, and 2014, respectively. There were no material impairments in any of the fiscal years presented.

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

Amortization expense for all intangible assets was \$79,077, \$64,841, and \$54,836 for the fiscal years ended June 30, 2016, 2015, and 2014, respectively. The estimated aggregate future amortization expense for each of the next five years for all intangible assets remaining as of June 30, 2016, is as follows:

Years Ending June 30,	Computer Software	Customer Relationships	Other Intangible Assets	Total
2017	\$ 53,326	\$ 13,097	\$ 10,968	\$ 77,391
2018	46,062	12,509	7,400	65,971
2019	37,781	12,244	3,660	53,685
2020	27,091	10,074	939	38,104
2021	11,742	8,430	642	20,814

NOTE 5. DEBT

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

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
LONG TERM DEBT		
Revolving credit facility	\$ —	\$ 50,000
Capital leases	—	816
	<u>—</u>	<u>50,816</u>
Less current maturities	—	714
Debt, net of current maturities	<u>\$ —</u>	<u>\$ 50,102</u>
SHORT TERM DEBT		
Capital leases	\$ 200	\$ 1,881
Current maturities of long-term debt	—	714
Notes payable and current maturities of long term debt	<u>\$ 200</u>	<u>\$ 2,595</u>

The following table summarizes the annual principal payments required as of June 30, 2016:

<u>Years ended June 30,</u>	
2017	\$ 200
	<u>\$ 200</u>

Capital leases

The Company has entered into various capital lease obligations for the use of certain computer equipment. The Company currently has short term capital lease obligations totaling \$200 at June 30, 2016. Included in property and equipment are assets under capital leases totaling \$2,329, which have accumulated depreciation totaling \$898.

Revolving credit facility

The revolving credit facility provides for borrowings of up to \$300,000, which may be increased by the Company at any time until maturity to \$600,000. The credit facility bears interest at a variable rate equal to (a) a rate based on LIBOR or (b) an alternate base rate (the highest of (i) the Prime Rate for such day, (ii) the sum of the Federal Funds Effective Rate for such day plus 0.50% and (iii) the Eurocurrency Rate for a one month Interest Period on such day for dollars plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The credit facility is 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, 2016, the Company was in compliance with all such covenants. The revolving loan terminates February 20, 2020 and at June 30, 2016 there was no outstanding balance.

Other lines of credit

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, 2016, no amount was outstanding.

Interest

The Company paid interest of \$1,320, \$1,111, and \$620 during the years ended June 30, 2016, 2015, and 2014, respectively.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Litigation

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

In 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 have defended the lawsuit vigorously. A part of that defense has been the filing of challenges to the validity of plaintiff's patents in post-grant proceedings at the Patent Trial and Appeal Board ("PTAB") of the U.S. Patent and Trademark Office. On April 29 and July 8, and September 1, 2015, the PTAB issued decisions holding that all relevant claims of the plaintiff's patents are unpatentable and invalid. DataTreasury has appealed the PTAB decisions to the U.S. Court of Appeals for the Federal Circuit. 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 no material commitments at June 30, 2016 to purchase property and equipment. There were \$13,089 material commitments at June 30, 2015, mainly related to the purchase of aircraft.

Leases

The Company leases certain property under operating leases which expire over the next 14 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, 2016, net future minimum lease payments are as follows:

Years Ending June 30,	Lease Payments
2017	\$ 9,515
2018	8,519
2019	5,967
2020	4,865
2021	3,587
Thereafter	16,921
Total	<u>\$ 49,374</u>

Rent expense was \$10,167, \$9,547, and \$8,609 in 2016, 2015, and 2014 respectively.

NOTE 7. INCOME TAXES

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

	Year Ended June 30,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current:			
Federal	\$ 66,574	\$ 70,555	\$ 77,937
State	7,571	5,221	10,166
Deferred:			
Federal	34,355	28,018	10,636
State	3,169	1,425	2,116
	<u>\$ 111,669</u>	<u>\$ 105,219</u>	<u>\$ 100,855</u>

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

	June 30,	
	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Contract and service revenues and costs	\$ 69,597	\$ 68,503
Expense reserves (bad debts, insurance, franchise tax and vacation)	14,770	14,612
Net operating loss carryforwards	3,543	3,682
Other, net	2,090	1,493
Total gross deferred tax assets	<u>90,000</u>	<u>88,290</u>
Valuation allowance	(608)	(650)
Net deferred tax assets	<u>89,392</u>	<u>87,640</u>
Deferred tax liabilities:		
Accelerated tax depreciation	(40,857)	(32,331)
Accelerated tax amortization	(160,719)	(142,776)
Contract and service revenues and costs	(76,417)	(69,790)
Total gross deferred liabilities	<u>(277,993)</u>	<u>(244,897)</u>
Net deferred tax liability	<u>\$ (188,601)</u>	<u>\$ (157,257)</u>

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

	Year Ended June 30,		
	<u>2016</u>	<u>2015</u>	<u>2014</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	1.9 %	1.4 %	2.8 %
Research and development credit	(2.5) %	(1.5) %	(0.8) %
Domestic production activities deduction	(1.9) %	(2.0) %	(2.2) %
Tax over book basis in subsidiary stock	(1.7) %	— %	— %
Other (net)	0.2 %	0.4 %	0.3 %
	<u>31.0 %</u>	<u>33.3 %</u>	<u>35.1 %</u>

As of June 30, 2016, we have \$6,048 of gross 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, 2016, we have state NOL carryforwards with a tax-effected value of \$1,470. The federal and state losses have varying expiration dates, ranging from 2016 to 2035. Based on state tax rules which restrict our utilization of these losses, we believe it is more likely than not that \$608 of these losses will expire unutilized. Accordingly, a valuation allowance of \$608 and \$650 has been recorded against these assets as of June 30, 2016 and 2015, respectively.

The Company paid income taxes of \$90,307, \$61,885, and \$83,014 in 2016, 2015, and 2014 respectively.

At June 30, 2016, the Company had \$7,421 of gross unrecognized tax benefits, \$5,986 of which, if recognized, would affect our effective tax rate. At June 30, 2015, the Company had \$7,104 of unrecognized tax benefits, \$5,193 of which, if recognized, would affect our effective tax rate. We had accrued interest and penalties of \$1,178 and \$1,120 related to uncertain tax positions at June 30, 2016 and 2015, respectively. The income tax provision included interest expense and penalties (or benefits) on unrecognized tax benefits of \$47, \$(155), and \$582 in the years ending June 30, 2016, 2015, and 2014, respectively.

A reconciliation of the unrecognized tax benefits for the years ended June 30, 2016 and 2015 follows:

	Unrecognized Tax Benefits
Balance at July 1, 2014	\$ 7,834
Additions for current year tax positions	1,351
Reductions for current year tax positions	(56)
Additions for prior year tax positions	483
Reductions for prior year tax positions	(998)
Reductions related to expirations of statute of limitations	(1,510)
Balance at June 30, 2015	7,104
Additions for current year tax positions	1,581
Reductions for current year tax positions	(56)
Additions for prior year tax positions	507
Reductions for prior year tax positions	(38)
Reductions related to expirations of statute of limitations	(1,677)
Balance at June 30, 2016	\$ 7,421

During the period ended June 30, 2016, the Internal Revenue Service commenced an examination of the Company's U.S. federal income tax returns for fiscal years ended June 30, 2014 and 2015. The examination is ongoing. At this time, it is anticipated that the examination will not result in a material change to the Company's financial statements.

The U.S. federal and state income tax returns for June 30, 2013 and all subsequent years remain subject to examination as of June 30, 2016 under statute of limitations rules. We anticipate that potential changes due to lapsing statutes of limitations and examination closures could reduce the unrecognized tax benefits balance by \$1,500 - \$3,000 within twelve months of June 30, 2016.

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, 2016, 2015, and 2014) 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, 2016, 2015, and 2014 includes \$10,720, \$10,112, and \$10,091 of equity-based compensation costs, respectively, of which \$9,712, \$9,251, and \$9,335 relates to the restricted stock plans, respectively. The income tax benefits from stock option exercises and restricted stock vests totaled \$1,051, \$4,343, and \$3,420 for the years ended June 30, 2016, 2015, and 2014, 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. No options previously granted under the 1996 SOP remain outstanding and vested at June 30, 2016.

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 four 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 one 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, 2013	144	21.79	
Granted	—	—	
Forfeited	—	—	
Exercised	(19)	18.42	
Outstanding July 1, 2014	125	22.29	
Granted	—	—	
Forfeited	—	—	
Exercised	(25)	19.17	
Outstanding July 1, 2015	100	23.07	
Granted	—	—	
Forfeited	—	—	
Exercised	(50)	23.99	
Outstanding June 30, 2016	50	\$ 22.14	\$ 3,256
Vested June 30, 2016	50	\$ 22.14	\$ 3,256
Exercisable June 30, 2016	50	\$ 22.14	\$ 3,256

There were no options granted during any period presented. Compensation cost related to outstanding options has now been fully recognized. The weighted average remaining contractual term on options currently exercisable as of June 30, 2016 was 2.57 years.

The total intrinsic value of options exercised was \$3,011, \$1,044, and \$704 for the fiscal years ended June 30, 2016, 2015, and 2014, respectively.

Restricted Stock Plan and 2015 Equity Incentive Plan

The Restricted Stock Plan was adopted by the Company on November 1, 2005, for its employees. The plan expired on November 1, 2015. Up to 3,000 shares of common stock were available for issuance under the plan. The 2015 Equity Incentive Plan was adopted by the company on November 10, 2015 for its employees. Up to 3,000 shares of common stock are available for issuance under the 2015 Equity Incentive 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.

The following table summarizes non-vested share awards activity:

Share awards

	Shares	Weighted Average Grant Date Fair Value
Outstanding July 1, 2013	252	25.92
Granted	30	54.13
Vested	(143)	24.41
Forfeited	(1)	22.17
Outstanding July 1, 2014	138	33.56
Granted	12	57.77
Vested	(71)	35.69
Forfeited	(7)	46.39
Outstanding July 1, 2015	72	34.28
Granted	22	66.31
Vested	(24)	43.45
Forfeited	(12)	23.82
Outstanding June 30, 2016	58	\$ 44.95

The non-vested share awards do not participate in dividends during the restriction period. As a result, the weighted-average fair value of the non-vested share awards was 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, consistent with the methodology for calculating compensation expense on such awards.

At June 30, 2016, there was \$913 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 0.69 years.

An amendment to the Restricted Stock Plan was adopted by the Company on August 20, 2010. Unit awards were 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. Certain Restricted Stock Unit awards are not tied to performance goals, and for such awards, vesting occurs over a period of 1 to 3 years.

The following table summarizes non-vested unit awards as of June 30, 2016, as well as activity for the year then ended:

Unit awards

	Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding July 1, 2013	814	23.08	
Granted	164	48.21	
Vested	(168)	15.77	
Forfeited	(101)	15.77	
Outstanding July 1, 2014	709	31.66	
Granted	178	53.62	
Vested	(277)	19.69	
Forfeited	(111)	22.74	
Outstanding July 1, 2015	499	48.13	
Granted	130	75.99	
Vested	(99)	44.09	
Forfeited	(101)	45.89	
Outstanding June 30, 2016	429	\$58.06	\$37,415

The Company utilized a Monte Carlo pricing model customized to the specific provisions of the Company's plan design to value unit awards subject to performance targets on the grant dates. The weighted average assumptions used in this model to estimate fair value at the grant dates are as follows:

	Year Ended June 30,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Volatility	15.6 %	17.8 %	21.6 %
Risk free interest rate	1.06 %	1.06 %	0.91 %
Dividend yield	1.5 %	1.5 %	1.6 %
Stock Beta	0.741	0.765	0.837

For the year ended June 30, 2016, 118 unit awards were granted and measured using the above assumptions. The remaining 12 unit awards granted are not subject to performance targets, and therefore the estimated fair value at measurement date is valued in the same manner as restricted stock award grants.

At June 30, 2016, there was \$9,822 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 1.09 years.

The fair value of restricted shares at vest date totaled \$8,677, \$20,275, and \$16,070 for the years ended June 30, 2016, 2015, and 2014, respectively.

NOTE 10. EARNINGS PER SHARE

The following table reflects the reconciliation between basic and diluted earnings per share.

	Year Ended June 30,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net Income	\$ 248,867	\$ 211,221	\$ 186,715
Common share information:			
Weighted average shares outstanding for basic earnings per share	79,416	81,353	84,866
Dilutive effect of stock options and restricted stock	<u>318</u>	<u>248</u>	<u>530</u>
Weighted average shares outstanding for diluted earnings per share	<u>79,734</u>	<u>81,601</u>	<u>85,396</u>
Basic earnings per share	\$ 3.13	\$ 2.60	\$ 2.20
Diluted earnings per share	\$ 3.12	\$ 2.59	\$ 2.19

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. The two-class method for computing EPS has not been applied because no outstanding awards participate in dividends. There were no anti-dilutive stock options and restricted stock excluded for fiscal 2016, no shares excluded for fiscal 2015, and 24 shares excluded for fiscal 2014.

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, 2016, 2015 and 2014 was \$1,008, \$861 and \$756, 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 \$16,794, \$15,378, and \$13,617 for fiscal 2016, 2015 and 2014, respectively.

NOTE 12. BUSINESS ACQUISITION

Bayside Business Solutions, Inc.

Effective July 1, 2015, the Company acquired all of the equity interests of Bayside Business Solutions, an Alabama-based company that provides technology solutions and payment processing services primarily for the financial services industry, for \$10,000 paid in cash. This acquisition was funded using existing operating cash. The acquisition of Bayside Business Solutions expanded the Company's presence in commercial lending within the industry.

Management has completed a purchase price allocation of Bayside Business Solutions 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 fair values as of July 1, 2015 are set forth below:

Current assets	\$ 1,922
Long-term assets	253
Identifiable intangible assets	5,005
Total liabilities assumed	<u>(3,279)</u>
Total identifiable net assets	3,901
Goodwill	6,099
Net assets acquired	<u>\$ 10,000</u>

The goodwill of \$6,099 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 Bayside Business Solutions, together with the value of Bayside Business Solutions' assembled workforce. Goodwill from this acquisition has been allocated to our Banking Systems and Services segment. The goodwill is not expected to be deductible for income tax purposes.

Identifiable intangible assets from this acquisition consist of customer relationships of \$3,402, \$659 of computer software and other intangible assets of \$944. The weighted average amortization period for acquired customer relationships, acquired computer software, and other intangible assets is 15 years, 5 years, and 20 years, respectively.

Current assets were inclusive of cash acquired of \$1,725. The fair value of current assets acquired included accounts receivable of \$178. The gross amount of receivables was \$178, none of which was expected to be uncollectible.

During fiscal year 2016, the Company incurred \$55 in costs related to the acquisition of Bayside Business Solutions. These costs included fees for legal, valuation and other fees. These costs were included within general and administrative expenses.

The results of Bayside Business Solutions' operations included in the Company's consolidated statement of income for the twelve months ended June 30, 2016 included revenue of \$4,273 and after-tax net income of \$303.

The accompanying consolidated statements of income for the fiscal year ended June 30, 2016 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 both the current and prior periods of our consolidated financial statements and pro forma financial information has not been provided.

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.

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 statements of income for the year ended June 30, 2016 included revenue of \$6,393 and after-tax net loss of \$1,289. For the year ended June 30, 2015, our consolidated statements of income included revenue of \$4,175 and after-tax net loss of \$1,784 attributable to Banno. 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 twelve month period ended June 30, 2016 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 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, 2016		
	Bank	Credit Union	Total
REVENUE			
License	\$ 2,536	\$ 505	\$ 3,041
Support and service	960,738	340,240	1,300,978
Hardware	33,394	17,233	50,627
Total revenue	996,668	357,978	1,354,646
COST OF SALES			
Cost of license	1,058	139	1,197
Cost of support and service	564,851	172,257	737,108
Cost of hardware	23,159	12,187	35,346
Total cost of sales	589,068	184,583	773,651
GROSS PROFIT	\$ 407,600	\$ 173,395	580,995
OPERATING EXPENSES			219,336
INTEREST INCOME (EXPENSE)			(1,123)
INCOME BEFORE INCOME TAXES			\$ 360,536

	Year Ended June 30, 2015		
	Bank	Credit Union	Total
REVENUE			
License	\$ 1,727	\$ 908	\$ 2,635
Support and service	922,545	278,107	1,200,652
Hardware	38,457	14,446	52,903
Total revenue	962,729	293,461	1,256,190
COST OF SALES			
Cost of license	832	355	1,187
Cost of support and service	533,407	147,343	680,750
Cost of hardware	27,831	10,568	38,399
Total cost of sales	562,070	158,266	720,336
GROSS PROFIT	\$ 400,659	\$ 135,195	535,854
OPERATING EXPENSES			217,989
INTEREST INCOME (EXPENSE)			(1,425)
INCOME BEFORE INCOME TAXES			\$ 316,440

	Year Ended June 30, 2014		
	Bank	Credit Union	Total
REVENUE			
License	\$ 1,514	\$ 670	\$ 2,184
Support and service	853,500	258,831	1,112,331
Hardware	42,657	16,001	58,658
Total revenue	<u>897,671</u>	<u>275,502</u>	<u>1,173,173</u>
COST OF SALES			
Cost of license	555	353	908
Cost of support and service	492,777	141,979	634,756
Cost of hardware	31,866	11,842	43,708
Total cost of sales	<u>525,198</u>	<u>154,174</u>	<u>679,372</u>
GROSS PROFIT	<u>\$ 372,473</u>	<u>\$ 121,328</u>	<u>493,801</u>
OPERATING EXPENSES			205,503
INTEREST INCOME (EXPENSE)			(728)
INCOME BEFORE INCOME TAXES			<u>\$ 287,570</u>

	Year Ended June 30,		
	2016	2015	2014
Depreciation expense			
Bank systems and services	\$ 47,076	\$ 50,154	\$ 48,382
Credit Unions systems and services	3,495	4,001	4,553
Total	<u>\$ 50,571</u>	<u>\$ 54,155</u>	<u>\$ 52,935</u>
Amortization expense			
Bank systems and services	\$ 58,914	\$ 47,502	\$ 39,152
Credit Unions systems and services	20,163	17,339	15,684
Total	<u>\$ 79,077</u>	<u>\$ 64,841</u>	<u>\$ 54,836</u>
Capital expenditures			
Bank systems and services	\$ 54,529	\$ 53,730	\$ 32,736
Credit Unions systems and services	1,796	679	449
Total	<u>\$ 56,325</u>	<u>\$ 54,409</u>	<u>\$ 33,185</u>

	June 30, 2016	June 30, 2015
Property and equipment, net		
Bank systems and services	\$ 269,020	\$ 263,231
Credit Union systems and services	29,544	33,101
Total	<u>\$ 298,564</u>	<u>\$ 296,332</u>
Intangible assets, net		
Bank systems and services	\$ 682,229	\$ 664,231
Credit Union systems and services	232,530	233,918
Total	<u>\$ 914,759</u>	<u>\$ 898,149</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

Dividends

On August 19, 2016, the Company's Board of Directors declared a cash dividend of \$0.28 per share on its common stock, payable on September 27, 2016 to shareholders of record on September 7, 2016.

QUARTERLY FINANCIAL INFORMATION
(unaudited)

For the Year Ended June 30, 2016

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
REVENUE					
License	\$ 1,604	\$ 634	\$ 292	\$ 511	\$ 3,041
Support and service	307,746	320,219	319,649	353,364	1,300,978
Hardware	12,268	12,019	13,245	13,095	50,627
Total revenue	321,618	332,872	333,186	366,970	1,354,646
COST OF SALES					
Cost of license	181	498	193	325	1,197
Cost of support and service	174,714	181,989	184,527	195,878	737,108
Cost of hardware	8,768	7,958	9,553	9,067	35,346
Total cost of sales	183,663	190,445	194,273	205,270	773,651
GROSS PROFIT	137,955	142,427	138,913	161,700	580,995
OPERATING EXPENSES					
Selling and marketing	21,751	22,231	22,732	23,365	90,079
Research and development	18,554	18,862	19,854	23,964	81,234
General and administrative	17,113	16,547	16,497	17,357	67,514
Gain on disposal of a business	—	—	—	(19,491)	(19,491)
Total operating expenses	57,418	57,640	59,083	45,195	219,336
OPERATING INCOME	80,537	84,787	79,830	116,505	361,659
INTEREST INCOME (EXPENSE)					
Interest income	113	91	54	49	307
Interest expense	(220)	(276)	(486)	(448)	(1,430)
Total interest income (expense)	(107)	(185)	(432)	(399)	(1,123)
INCOME BEFORE INCOME TAXES	80,430	84,602	79,398	116,106	360,536
PROVISION FOR INCOME TAXES	29,064	25,254	25,515	31,836	111,669
NET INCOME	\$ 51,366	\$ 59,348	\$ 53,883	\$ 84,270	\$ 248,867
Basic earnings per share	\$ 0.64	\$ 0.75	\$ 0.68	\$ 1.07	\$ 3.13
Basic weighted average shares outstanding	80,545	79,473	78,805	78,841	79,416
Diluted earnings per share	\$ 0.64	\$ 0.74	\$ 0.68	\$ 1.06	\$ 3.12
Diluted weighted average shares outstanding	80,735	79,770	79,167	79,261	79,734

For the Year Ended June 30, 2015

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
REVENUE					
License	\$ 503	\$ 491	\$ 569	\$ 1,072	\$ 2,635
Support and service	288,216	296,905	296,896	318,635	1,200,652
Hardware	12,755	13,898	12,244	14,006	52,903
Total revenue	301,474	311,294	309,709	333,713	1,256,190
COST OF SALES					
Cost of license	409	308	285	185	1,187
Cost of support and service	165,090	170,377	168,457	176,826	680,750
Cost of hardware	9,385	9,574	9,152	10,288	38,399
Total cost of sales	174,884	180,259	177,894	187,299	720,336
GROSS PROFIT	126,590	131,035	131,815	146,414	535,854
OPERATING EXPENSES					
Selling and marketing	21,663	22,175	21,674	23,492	89,004
Research and development	16,791	17,681	17,522	19,501	71,495
General and administrative	16,510	18,388	15,417	14,049	64,364
Gain on disposal of a business	—	(6,874)	—	—	(6,874)
Total operating expenses	54,964	51,370	54,613	57,042	217,989
OPERATING INCOME	71,626	79,665	77,202	89,372	317,865
INTEREST INCOME (EXPENSE)					
Interest income	57	28	33	51	169
Interest expense	(266)	(337)	(669)	(322)	(1,594)
Total interest income (expense)	(209)	(309)	(636)	(271)	(1,425)
INCOME BEFORE INCOME TAXES	71,417	79,356	76,566	89,101	316,440
PROVISION FOR INCOME TAXES	25,329	25,474	25,854	28,562	105,219
NET INCOME	\$ 46,088	\$ 53,882	\$ 50,712	\$ 60,539	\$ 211,221
Basic net income per share	\$ 0.56	\$ 0.66	\$ 0.63	\$ 0.75	\$ 2.60
Basic weighted average shares outstanding	82,195	81,432	80,880	80,904	81,353
Diluted net income per share	\$ 0.56	\$ 0.66	\$ 0.63	\$ 0.75	\$ 2.59
Diluted weighted average shares outstanding	82,589	81,634	81,094	81,086	81,601

BOARD OF DIRECTORS

- » **JOHN F. "JACK" PRIM**
EXECUTIVE CHAIRMAN
Jack Henry & Associates, Inc.
Monett, Missouri

- » **MATTHEW C. FLANIGAN**
VICE CHAIRMAN AND LEAD DIRECTOR, JACK HENRY & ASSOCIATES, INC.
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Leggett & Platt, Incorporated
Carthage, Missouri

- » **TOM H. WILSON, JR.**
MANAGING PARTNER
DecisionPoint Advisors, LLC
Charlotte, North Carolina

- » **JACQUE R. FIEGEL**
CHAIRMAN/CENTRAL OKLAHOMA AREA
Prosperity Bank
Oklahoma City, Oklahoma

- » **THOMAS A. WIMSETT**
CHAIRMAN AND MANAGING PARTNER
Wimsett & Company, LLC
Louisville, Kentucky

- » **LAURA G. KELLY**
MANAGING DIRECTOR, VALUATION SOLUTIONS GROUP
CoreLogic
Irvine, California

- » **SHRUTI S. MIYASHIRO**
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Orange County's Credit Union
Santa Ana, California

- » **WESLEY A. BROWN**
PRESIDENT
Bent St. Vrain & Company, LLC
Denver, Colorado

EXECUTIVE OFFICERS

JOHN F. "JACK" PRIM

EXECUTIVE CHAIRMAN OF THE BOARD

DAVID B. FOSS

PRESIDENT AND CHIEF EXECUTIVE OFFICER

KEVIN D. WILLIAMS

CHIEF FINANCIAL OFFICER AND TREASURER

MARK S. FORBIS

VICE PRESIDENT AND CHIEF TECHNOLOGY OFFICER

ANNUAL MEETING

The annual meeting of shareholders will be held on Thursday, November 10, 2016 at 11 a.m. CT at Jack Henry & Associates' Corporate Headquarters, Monett, Missouri.

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.

TRANSFER AGENT AND REGISTRAR

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

jack henry
& ASSOCIATES INC.®

663 HIGHWAY 60, P.O. BOX 807, MONETT, MO 65708

417-235-6652 | 417-235-4281 FAX

www.jackhenry.com

jack henry Banking
A DIVISION OF JACK HENRY & ASSOCIATES INC.®

Symitar
A JACK HENRY COMPANY

ProfitStars
A JACK HENRY COMPANY