2022 ANNUAL REPORT

MISSION-
DRIVEN

jack henry™

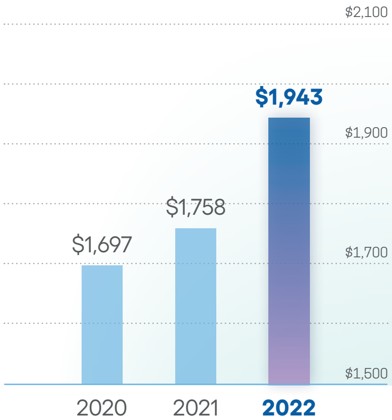
BUILDING ON OUR PAST WITH ***INNOVATION*** *&* ***PURPOSE***

TABLE OF **CONTENTS**

FINANCIAL **HIGHLIGHTS**

$ IN MILLIONS EXCEPT PER SHARE DATA

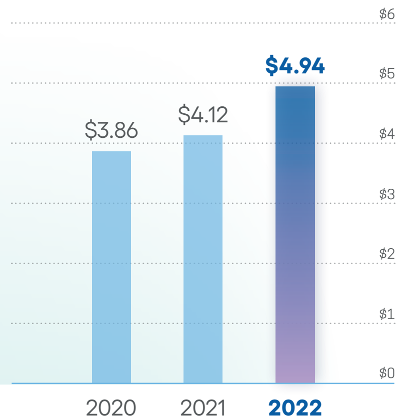
REVENUE



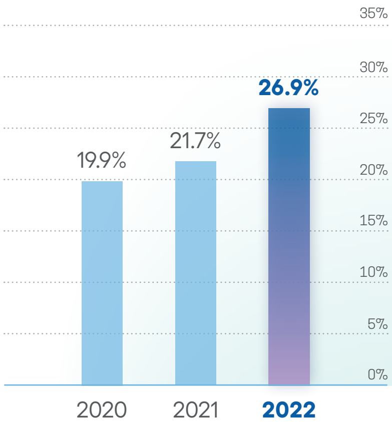
NET INCOME

DILUTED EARNINGS

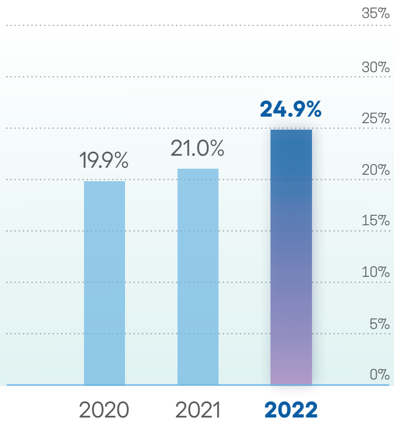
PER SHARE



RETURN ON SHAREHOLDERS' EQUITY

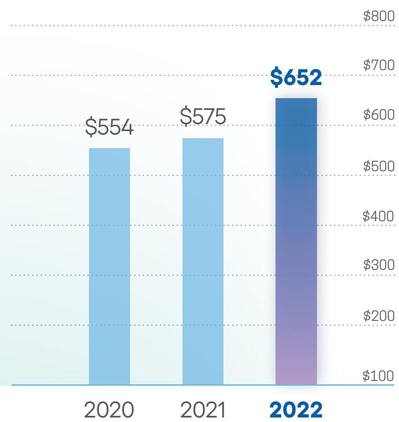


RETURN ON INVESTED CAPITAL*



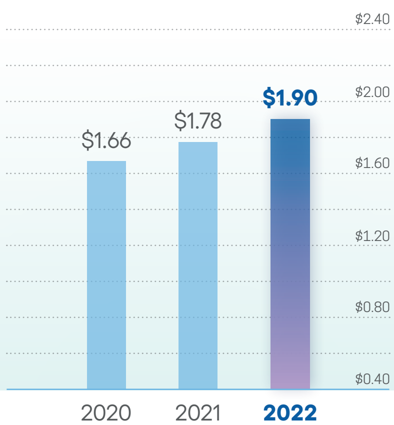
EBITDA*

(EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION)



DIVIDENDS DECLARED

PER SHARE



*For non-GAAP reconciliation, see page 75.

SHAREHOLDERS' **LETTER**

FELLOW SHAREHOLDERS

Throughout fiscal year 2022, we continued to deal with ongoing challenges posed by the COVID-19 pandemic, as well as uncertainty around the country's overall economy and impacts of the Great Resignation. Despite those challenges, Jack Henry™ had a very good year. Employee engagement and customer satisfaction scores remained extremely high, our sales team hit an all-time sales record in the second quarter only to break that record in the fourth quarter, and our financial performance was solid.

We cannot thank our nearly 6,900 associates enough for their hard work and dedication. Throughout the year, they remained focused on supporting one another and our clients.

According to this year's employee engagement survey, more than three-fourths of our associates acknowledge Jack Henry is a place where people feel they belong. Additionally, they feel strongly that Jack Henry treats them well and is a company they can trust. We ranked above average in all areas surveyed compared to others in the technology industry.

In addition to our positive employee engagement scores, we were honored this year to again be recognized as a top workplace, including making *American Banker*'s *2022 Best Places to Work in Financial Technology* list for the fifth consecutive year and ranking sixth among all financial companies on LinkedIn's inaugural list of *25 Top Companies to Work for in Financial Services*. We also made *Inc.*'s inaugural *Best-Led Companies* list, *Newsweek*'s *2022 Most Responsible Companies* list, and were certified in the Most Loved Workplaces program through the Best Practice Institute.

We believe that if we take care of our associates, they will in turn take care of our clients, and this year's customer satisfaction scores proved just that. On a monthly basis, we send thousands of customer satisfaction surveys to measure our success. At the end of the fiscal year, our surveys reflected an average overall satisfaction score of 4.57 out of 5 and an average overall customer service representative satisfaction score of 4.74 out of 5.

Although the economy slowed and many firms in our space experienced financial challenges, our financial performance remained strong. In fiscal year 2022, our GAAP revenue increased by 11% over the prior year to $1.943 billion while our GAAP net income increased 17% to $363 million. Our stock performed well, hitting new record highs in April 2022 and then again in August 2022.

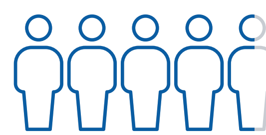
AMERICAN BANKER
2022 **Best Places to Work in Fintech**

5X

Jack Henry placed on *American Banker's Best Places to Work in Financial Technology* list for the **fifth consecutive** year.

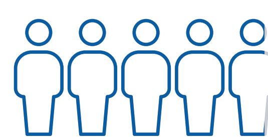
CUSTOMER SATISFACTION SCORES

4.57



Average overall satisfaction score

4.74



Average overall customer service representative satisfaction score

As we've done throughout our 46-year history, we continue to meet the needs of our clients and work to help them navigate changes in our industry. While they face challenges from non-bank competitors and an accelerated, pandemic-driven shift toward digital banking, we are helping them strengthen relationships with their accountholders through a full array of our own solutions backed by modern technology and access to a diverse network of leading fintechs.

Fiscal year 2022 also marked a year of evolution for our company. We developed a mission statement that reflects our long history of helping community and regional financial institutions strengthen connections with their accountholders and our concentration on helping improve financial health for consumers and businesses. We are focused on the two-thirds of the American population that is not considered financially healthy and believe we can help make a difference through our technology and services.

Our belief in strengthening connections and helping reduce the barriers to financial health was a major part of our brand relaunch in August 2022. To better reflect the well-rounded financial technology company we are today, we now go to market as a single brand – Jack Henry – with one clear, consistent strategy and a wide array of best-in-breed capabilities. A key element of our rebranding is our new external website – jackhenry.com – that offers a fresh new look and feel, provides for a better user experience, and details how we connect possibilities for financial institutions and the people and businesses they serve. In the first week of the website launch, site views increased three times over our previous average.

> We now go to market as a single brand – **Jack Henry** – with one clear, consistent strategy and a wide array of best-in-breed capabilities.

Our rebranding is the outcome of work we've done over the years to modernize our technology, streamline operations, and operate as one company to better serve our clients. Internally, we refer to this program as One Jack Henry, and the work we've done now gives us a platform to speak from a single, consistent voice.

Some of the ways we've improved the client experience through One Jack Henry include consolidating our client education teams to create greater consistency; establishing a Customer Success group to enhance service; and centralizing our incident management, change management, and client communication processes to better engage with clients.

> Our next-generation, **cloud-native technology strategy** was announced in February 2022.

As part of our focus on clients, we announced in February 2022 a next-generation technology strategy centered on our ongoing development of a single, cloud-native, open-banking platform. We've been working on the strategy for several years and we're now starting to roll out the first components. It builds on our industry-leading, open-API digital banking platform, which enables easy access to a broad ecosystem of Jack Henry solutions and high-grade, third-party fintechs. We've seen strong external interest in our strategy, with more than 40 articles and podcasts published so far reaching more than 53 million people.

Our new mission, rebranding, and technology modernization strategy were not the only changes we implemented in fiscal year 2022. We also successfully managed through various succession plans and senior leadership changes. In September 2021, Holly Novak was elevated to Chief People Officer. She has more than two decades of experience in the human resources field and is focused on listening and partnering with our associates and leaders. In November 2021, our Chief Technology Officer, Ted Bilke, and Chief Financial Officer and Treasurer, Kevin Williams, announced their plans for retirement. We want to thank Ted and Kevin for their many years of service, leadership, and contributions to the company.

Ben Metz, formerly our Head of Digital, was elevated to Chief Digital and Technology Officer in January 2022 to fill Ted's role. Ben has been instrumental in growing our digital offerings. Also in January, Chief Operating Officer Greg Adelson's role was expanded to President and Chief Operating Officer. Greg has strengthened our operating model and positioned us well for the future. In March 2022, we named Brian Otte as Chief Sales and Marketing Officer. Brian previously served as Director of Sales for ProfitStars® and has been a very successful sales leader during his 10 years at Jack Henry.

We also continued strengthening our operating model with the promotion of Dr. Yonesy Núñez to Vice President and Chief Information Security Officer. Yonesy is a well-known leader in the cybersecurity industry and has a proven track record of success since joining Jack Henry. We also promoted Renee Swearingen to Senior Vice President, Chief Accounting Officer, and Assistant Treasurer in May 2022. Renee has been with the company for 26 years and has extensive experience developing and implementing financial strategies, collaborating with the business on goals and initiatives, and successfully managing Jack Henry's finance and accounting operations. And lastly, we named Mimi Carsley as our new Chief Financial Officer and Treasurer, effective September 1, 2022. Mimi is an accomplished global business executive with more than 30 years of financial industry experience, and we are very happy to have found someone of Mimi's expertise to lead us into the future.

While we are well-poised with a strong leadership team and a number of successes under our belt, fiscal year 2022 had its challenges as well. The Great Resignation impacted Jack Henry just as it did most other companies, but we continue to work through it and do whatever it takes to take care of our associates and clients while working to recruit new talent.

Further, not only are we seeing many new competitors in the various product areas we support, but the complexity of our industry also continues to grow. Technological advances continue to happen at a fast pace and the delicate cybersecurity environment does not make navigating the complexities any easier.

Despite the challenges, fiscal year 2022 proved to be a very successful year for our company. We not only produced strong results, we continued to position ourselves well for the future as we focus on helping community and regional financial institutions achieve success and meet the evolving needs of their accountholders.

On behalf of our Board of Directors and the entire leadership team, Greg and I want to thank our loyal associates, clients, and shareholders for all you have done to support Jack Henry this year. We are proud of the strong year and look forward to fiscal year 2023.

DAVID FOSS
Board Chair and
Chief Executive Officer

GREGORY ADELSON
President and
Chief Operating Officer

MISSION & PURPOSE

We are Jack Henry, a well-rounded financial technology company with a mission to strengthen the connections between people and their financial institutions through technology and services that reduce the barriers to financial health. Our purpose is to empower people and communities to gain the financial freedom to move forward.

*MISSION-**DRIVEN***

A REFLECTION ON JACK HENRY'S FISCAL YEAR 2022, A YEAR IN WHICH WE LOOKED BACK IN ORDER TO GROW FORWARD.

At Jack Henry, we've always believed community and regional financial institutions are the lifeblood of Main Street America, and we have a successful 46-year history of helping them adapt to changes in the technology landscape. Our fiscal year 2022 was no different.

Disruptions are not uncommon in our industry, starting with the advent of ATMs and progressing through the rise of the internet. Most recently, there's been a significant shift toward digital banking as more non-traditional banks have entered the market. This digital disruption – accelerated by the COVID-19 pandemic – has fundamentally changed the way many people and businesses want and expect to bank.

While this disruption creates considerable threats, it also presents tremendous opportunities. As we've done throughout our history, Jack Henry is helping community and regional financial institutions capture this opportunity through modern technology that helps them innovate faster, differentiate strategically, and compete successfully.

Our unwavering focus on helping community and regional financial institutions is reflected in our mission and purpose statement published in fiscal year 2022. As a well-rounded financial technology provider, we strive to help our clients strengthen connections with their accountholders and reduce the barriers to financial health.

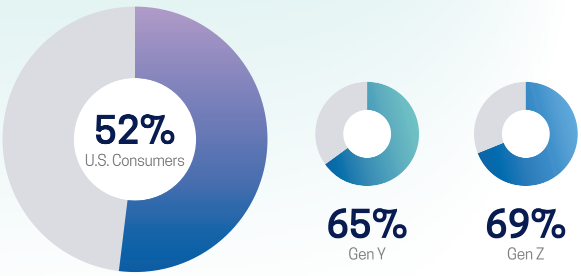
This philosophy has always been a part of our foundation and the roots on which Jack Henry was built. Our founders, Jack Henry and Jerry Hall, were committed to their community and believed they could help financial institutions better serve the needs of people and businesses using more modern technology and services. In developing our mission, we reflected on our heritage to look ahead to the future.

FINANCIAL DISRUPTION AND FRAGMENTATION

The proliferation of non-bank providers has led to increased financial fragmentation. With the development of new financial apps – from banking and credit cards to payments and investing – consumers and businesses are using multiple sources to manage their finances. It is not uncommon for people to use between 20 and 30 different financial providers, and we are seeing small- and medium-sized businesses (SMBs) also relying on multiple providers.

The result is that it's more difficult than ever for a person or business to get a full financial picture when that view is scattered across so many different financial sources. This fragmentation impacts the ability of people to make informed decisions, which can lead to lack of transparency of their finances.

Approximately 69% of people in the United States are not considered financially healthy, according to the Financial Health Network's *2022 U.S. Trends Report*. And 80% of consumers want their financial institutions to help them improve their financial health, but only 14% believe they're doing that according to the Financial Health Network. That is why we have committed ourselves to helping improve the financial health of consumers and businesses through the technology and services we offer. And as a mission-driven company, we understand the power we have to influence how people handle their financial health.



> A 2022 Javelin study showed that U.S. consumers have more than half (52%) of their financial relationships with **non-banks**.

For Generation Y and Generation Z consumers, non-banks provide 65% and 69% of financial relationships respectively.

JACK HENRY WITH A PURPOSE

ASSOCIATES

We have always said that our associates are the backbone of our organization. They are also the strongest and most visible brand ambassadors, and to endorse what Jack Henry stands for, they need to become aware and understand the inherent value of our mission and how it benefits them first. That is why we launched our new mission and purpose statements in fiscal year 2022 by focusing on our associates.

We wanted to make sure associates had access to the benefits, programs, and resources to help improve their own financial health. That meant launching an internal campaign encouraging them to pledge to take a step toward their financial freedom or helping a family member or friend take a step. As of June 30, 2022, more than 3,100 associates have pledged to take that step.

We've heard many inspiring stories from associates about steps they've taken. For example, Danita Eldridge, who works in our Payment Solutions Group, says she's been able to better budget, plan, and save through money management tools offered through Jack Henry and now is providing tips to others to help improve their financial health.

For Danita and all of our associates, we provided materials to refamiliarize them on available tools and resources already in place to help them gain financial freedom and move forward, including the following: 401(k) Retirement Savings Plan, employee stock purchase program, health care coordinators, health savings accounts, flexible spending accounts, dependent care flexible spending accounts, employee assistance program, and free financial wellness seminars.

Danita Eldridge, Business Consulting Manager, and her husband, Tim.

Richard Peavy, Leadership Development Manager

Candice Washington,
Quality Assurance Analyst Advanced, Synergy QA

3,100

associates pledged to take a step toward financial freedom and received a Jack Henry T-shirt.

Additionally, we've continued to add new offerings. In January 2022, Wellthy – a program designed to provide personalized support to help tackle the logistical and administrative tasks of caring for loved ones – was launched. Wellthy's Care Framework ensures families are considering and addressing all the variables of care beyond just medical needs, thus supporting their journey to financial health by enabling them to properly plan.

In November 2021, we announced a change to our internal mobility program. The requirement of time-in-role before applying for a new, internal position was reduced from two years to six months, which resulted in an increase in internal applications of 50% in just half of our fiscal year. We expanded programs and resources to encourage associates to apply for internal positions, which helps us create a well-rounded employee base and helps our associates' own career growth. An internal mobility resource center is also available and includes information on mentoring resources; tips for internal networking, résumé writing, and interviewing; résumé templates; a career journey series; and more.

CLIENTS

We believe community and regional financial institutions play a critical role in helping their accountholders achieve financial health and are uniquely positioned to address this crisis. It's our responsibility to provide the technology and services that enable them to best serve their accountholders.

We do this by offering a full array of our own solutions backed by modern technology and access to a diverse network of leading fintechs. That combination enables us to strengthen connections and relationships and supports the open philosophy we've held since our founding in 1976. To date, we have already integrated more than 850 fintechs into our ecosystem, and we are the only platform provider with relationships with

Jack Henry has integrated with more than **850 fintechs** and is the **only platform provider** with relationships with **all four** major financial-data aggregators:

Finicity
Plaid
Akoya®
Envestnet | Yodlee®

all four major financial-data aggregators. Through our collaboration with fintechs, we're able to eliminate screen scraping and reduce the financial fragmentation consumers are experiencing.

For example, we partnered with Finicity, a Mastercard® company that helps individuals, families, and organizations make smarter financial decisions through its safe and secure access to fast, high-quality data. Finicity's integration to the Banno Digital Toolkit™ enables community financial institutions to provide consumers with the freedom to control, access, and share their financial data, creating a real-time picture of their financial health. Not only does this strengthen connections between our clients and their accountholders, but it also points back to supporting the financial health of the accountholders.

Further, Jack Henry announced in the third quarter of fiscal year 2022 the integration into the Banno Digital Toolkit of credit management services, identity protection tools, and an offers engine from Array, a leading financial innovation platform. This integration offers consumers personalized credit and financial insights through their trusted financial institutions. Embedding this service protects consumers' data and reduces the risk of competitive products being sold. Banks and credit unions will also gain a better understanding of their consumers' complete financial lives, while boosting digital engagement, driving revenue, and maximizing lending and credit opportunities.

Additionally, our new Vendor Management Program, a service built into Jack Henry's Governance, Risk, and Compliance (GRC) Suite, launched in May 2022 to provide consulting expertise aimed at assisting financial institutions in reducing or mitigating risks when working with external service providers, information technology vendors, and related third parties. This service helps community and regional financial institutions innovate faster and be more competitive in their markets.

COMMUNITIES

Jack Henry's mission underscores the importance for much of our work and our dedication to those who are underserved, underbanked, or lack the ability to get a true picture of their financial lives and may be at risk.

Our focus on the communities we serve and the financial health of our associates, clients, and their accountholders is reflected through our expanding work with Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs).

In fiscal year 2022, Jack Henry worked with nearly 60 CDFIs and MDIs. For instance, we helped three banks that were recently formed to serve local

JACK HENRY WORKED WITH NEARLY
60 CDFIs AND MDIs
IN FISCAL YEAR 2022.

communities that had limited access to local financial services due to industry consolidation. The banks needed a digitally-focused, open, and flexible technology provider to support rapid growth and help them compete with large banks as well as non-traditional financial institutions. With Jack Henry, the banks gained a strategic and comprehensive technology plan with competitive core solutions and future-ready services such as Banno Digital Platform™ and LoanVantage® (a complete solution for loan analysis, underwriting, review, and management for both consumer and business loan origination). It is an opportunity to build a technology strategy with easy access to the broad ecosystem of Jack Henry solutions and third-party fintechs of choice.

Additionally, we are proud to have joined with several other organizations to cover the cost for MDIs to join the Real-Time Payments (RTP®)

network. The RTP network allows MDIs access to flexible, faster payments options that can help prevent missed payments and avoid late fees and penalties, among other things. MDIs often fund small businesses, and access to the RTP network allows those small businesses to offer payment on the same day to workers, as well as the option to purchase inventory or supplies on the same day.

INNOVATING TO CONNECT POSSIBILITIES

Jack Henry is committed to strengthening connections between people and their financial institutions. One way we do this is through people-inspired innovation, which solidifies our commitment to ensuring our clients' accountholders feel understood, valued, and confident, while also being set up for success.

GROWING FASTER PAYMENTS STRATEGIES

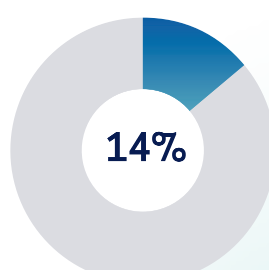
Our payments capabilities are one example of these connections and innovation. Our JHA PayCenter™ growth illustrates our continued ability to meet the evolving payments needs of our clients and their accountholders. Our proprietary payments hub provides seamless connections to The Clearing House's RTP network and the Zelle Network®, provided by Early Warning Services, LLC. As of June 2022, more than 250 banks and credit unions were leveraging one or both networks. JHA PayCenter enables financial institutions to accelerate time to market with proven faster payment solutions that expedite funds availability, improve cash flow, and ultimately improve the financial health of consumers and businesses. Nearly 170 Jack Henry clients are live on the RTP network, over 200 clients are live with Zelle®, and another 132 are in various stages of the implementation process. Third-party digital platform providers can also take advantage of JHA PayCenter's seamless integration with the faster payment networks, further illustrating our approach to openness.

TECHNOLOGY MODERNIZATION

As part of our mission, in February 2022, we announced a next-generation technology strategy centered on Jack Henry's ongoing development of a single, cloud-native, open-banking platform. This initiative builds on our industry leading, open-API digital banking platform, which enables easy access to a broad ecosystem of Jack Henry solutions and high-grade, third-party fintechs.

The multi-year strategy addresses the ecosystem disruption happening in the financial services industry and crystallizes our plan to not only help community and regional financial institutions compete and prosper, but also utilize technology to help reduce the barriers to financial health among their customers and members. Our strategy also supports the evolving need of our clients to offer Banking-as-a-Service (BaaS) options.

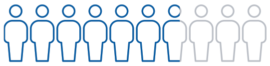
This new technology modernization strategy is just one aspect of our continuing investment to improve our organization and offerings. We consistently commit at least 14% of annual revenue to research and development. Additional key projects and platforms tied to this investment are our digital solutions, financial crimes technology, our Jack Henry payments hub, cybersecurity, and our treasury management platform.



We consistently commit at least 14% of annual revenue to research and development.

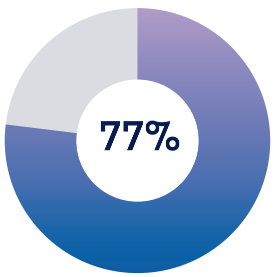
ASSOCIATE ENGAGEMENT SURVEY RESULTS

67%



PARTICIPATION

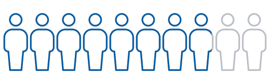
According to Gartner, the industry-average response rate is 45%.



BELONGING

Associates ranked Jack Henry high for creating an environment where associates feel they belong.

79%



ENGAGEMENT

Associates felt strongly that Jack Henry treats them well and they trust the company.

WE RANKED **ABOVE AVERAGE** IN ALL AREAS COMPARED TO OTHERS IN THE INDUSTRY

A WELL-ROUNDED ENVIRONMENT

Being a well-rounded financial technology company is just one part of what our mission means. Well-rounded also has to do with how we treat associates and create an environment where everyone belongs. We take care of our associates and in turn, they take care of our clients by providing them with the service and support they deserve. Jack Henry understands the importance of considering all our stakeholders when pursuing our business goals and believes that business can be a force for good.

We have been highly focused on our commitment to continually listen to our associates. In July 2021, we partnered with Gartner, a global research and advisory organization, to send an engagement survey to associates based on their anniversary date each year. In fiscal year 2022, 67% of our associates participated in the survey, which exceeds the 45% industry-average response rate for the survey (according to Gartner). Results showed where we are doing well in the eyes of our associates, and where we have opportunities to improve.

We ranked above average in all areas compared to other technology companies: 77% ranked Jack Henry high for creating an environment where associates feel they belong, and 79% feel strongly that Jack Henry treats them well and they trust the company.

Based on feedback, we introduced new resources to associates, including ways to create an individual development plan, continue their education, improve their skills, and expand their network. For example, in January 2022, we launched access to LinkedIn Learning® for all associates and contractors. LinkedIn Learning allows users to select courses to help improve their performance and prepare for upcoming projects – in areas like business, technology, and marketing.

RECOGNITION

Jack Henry once again was ranked on several "best places to work" lists, which underscores the environment and culture we strive to uphold for our associates. In fiscal year 2022, we were named to:

- The inaugural *Best-Led Companies* list by *Inc*. magazine that considered 10,000 companies with revenue between $50 million and $2 billion. The ranking is based on accomplishments in four areas: performance and value creation, market penetration and customer engagement, talent, and leadership.
- The *2022 Most Responsible Companies* list by *Newsweek*. The publication partnered with global research and data firm Statista to develop the

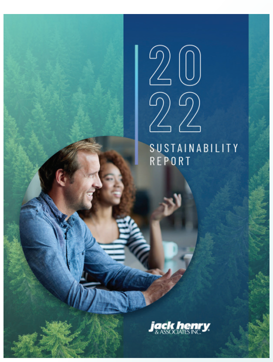
ranking based on publicly available data of 2,000 of the largest U.S. public companies by revenue. Scores are based on company performance in the environmental, social, and corporate governance areas, along with an independent survey that asked U.S. citizens about their perception of company activities related to corporate social responsibility.

- The *2022 Best Places to Work in Financial Technology* list by *American Banker* for the fifth consecutive year. The list is designed to identify, recognize, and honor the best employers in the financial technology industry.
- The inaugural list of *25 Top Companies to Work for in Financial Services* by LinkedIn. Jack Henry ranked sixth among the top financial companies. This list focuses on companies that invest in talent and help set up employees for long-term success.

Additionally, we received certification in the Most Loved Workplaces program through the Best Practice Institute. This program focuses on the emotional connection employees have with their employer.

CORPORATE RESPONSIBILITY AT JACK HENRY

We made marked advancements on our corporate responsibility journey. In March 2022, we published our second *Sustainability Report* detailing how we strive to serve as a "force for good" in society through inclusive products and services that support the communities where we live and work, information and cybersecurity practices that safeguard our associates and clients, and progress toward reducing greenhouse gas emissions and mitigating climate-related risks. The report also includes an overview of the many additional corporate responsibility efforts that are underway to foster a highly ethical business strategy and culture. Corporate responsibility has always been a key area of focus for Jack Henry, and now each *Sustainability Report* allows us to show advancement in our commitments to our stakeholders: people, clients, shareholders, communities, and the environment.



2022 Sustainability Report

Scan the QR code:

Experiencing issues with the QR code?
Visit: https://hubs.la/Q01lDZ060

BUSINESS INNOVATION GROUPS

A major contributor to Jack Henry's strong corporate culture is our commitment to diversity, equity, and inclusion (DEI). In fiscal year 2022, Jack Henry enhanced the Hiring Manager's Toolkit to provide information and resources to help reduce bias in the hiring process and assist with more objective decision making. We are also focused on ensuring diversity in programs such as summer internships.

We encourage associates to participate in one or more of our Business Innovation Groups (BIGs): Women at Jack Henry, Veterans, PRISM, Mosaic, JHAnyWhere, and Go Green. These groups are tasked with growing our company in a better way. Participation grew 24% over last fiscal year, and we now have approximately 1,700 unique BIG members.

JACK HENRY BIGs HIGHLIGHTS

WOMEN AT JACK HENRY

Gender

- Formed the Allyship team to enlist allies committed to fostering genuine connections, championing fair treatment, and increasing the feeling of belonging company-wide while supporting professional growth.
- Hosted National Health Week and presented opportunities for associates to learn more about, and participate in, overall health and wellness activities including physical, mental, financial, and overall well-being sessions.

VETERANS

Active and Retired Military

- Partnered with Jack Henry's Talent Acquisition team to develop and produce guides that help attract and interview military candidates.
- Hosted a *Veterans Hiring & Retention* mini-series with Chief Veterans Advocate Evan Guzman, who focuses on how to engage and attract military veterans as part of the hiring process.

GO GREEN

Environment

- Collaborated with JHAnyWhere to celebrate World Cleanup Week in September 2021 and represented 19 North American cities.
- Celebrated Earth Week with a series of events including a pollinator garden reveal, composting education, and an annual tree planting at a Jack Henry office.

PRISM

LGBTQIA+

- Collaborated with San Diego Pride to form a panel of experts for PRISM's *Intersectionality and Why it's Important* session.
- Spearheaded the effort to have pronouns and gender identity added to Jack Henry's human capital management system.

MOSAIC OF PEOPLE

People of Color

- Celebrated National Hispanic Heritage Month with a virtual multicultural fair.
- Hosted an internal podcast episode with Stephone Coward from BankBlackUSA to discuss how the bank empowers black-owned financial institutions.

JHANYWHERE

Remote Associates

- Hosted a session with Dr. Mark Crawford on *The Importance of Self-Care – and How to Get There* in October 2021.
- Collaborated with Jack Henry's Human Resources team to host a Virtual Leader Lab.

BECOMING ONE JACK HENRY

To provide a centralized, one-company experience for our associates and clients alike, Jack Henry made some positive changes and progress in fiscal year 2022 as part of our One Jack Henry program – a multi-year program designed to unify our existing brands and operations.

One Jack Henry is a multi-year program designed to unify our existing brands and operations.

CONSOLIDATED EDUCATION TEAMS

We implemented a cross-divisional, collaborative approach to drive greater product adoption and enablement, improve time-to-value for Jack Henry solutions, and help the Education teams align with our strategic goals. Additionally, by utilizing common tools and processes, associates benefit from fewer knowledge gaps, cross-product training, and greater career path opportunities.

This unified client education organization provides an end-to-end knowledge enablement approach to our clients' needs and creates a more structured approach to product and solutions training for Jack Henry associates.

CENTRALIZED INCIDENT MANAGEMENT, CHANGE MANAGEMENT, AND COMMUNICATION PROCESSES

Emphasizing our four tenets of execution and leadership – transparency, collaboration, communication, and consistency – we worked to ensure we create an environment for faster learning and improvement with our teams as we strive to provide superior customer service. New offices were added and strategically positioned under our Chief Information Security Officer and Chief Information Officer to actively establish:

- Consistent and comprehensive plans for incident management, communications processes to provide a single point-of-contact, and standardized vocabulary used to categorize incidents.
- Enhanced approval capabilities for Change, Release, and Deployment (CRD) Management, documentation of IT Service Management definitions and terms, and collaborative incident management.

ESTABLISHMENT OF CUSTOMER SUCCESS GROUP

A new Customer Success group was established to align Jack Henry's Customer Experience, Enterprise Continuous Improvement, Business Modernization, and Knowledge Enablement teams. This unification supports our commitment to strengthen our capabilities and improve productivity and effectiveness.

PRODUCT DEVELOPMENT LIFECYCLE CONSISTENCY

Previously, each individual line of business within Jack Henry brought products to market in their own way. To simplify the experience for our clients, changes were implemented to bring consistency across the board. Now, each line of business operates in the same way (with some nuances, as needed) creating a streamlined process and allowing clients to know what to expect.

jack henry
connect

COLLABORATIVE CLIENT CONFERENCE

In March 2022, we announced our new, collaborative client conference: Jack Henry Connect. The inaugural event in August 2022 brought the Jack Henry Annual Conference (JAC) and the Symitar Educational Conference (SEC) together. Our annual educational conference and technology showcase is an extension of our commitment to strengthening connections and forging relationships. It's an opportunity for bank and credit union leaders and representatives to connect with technology partners; to connect with Jack Henry leadership; and to connect with one another to discuss, grow, and learn together.

LIVING OUR MISSION

GUIDING PRINCIPLES:

Do the right thing

Do whatever it takes

Have fun

Our company was founded with a humble spirit, a can-do attitude, an advocate's heart, and on three guiding principles: *do the right thing*, *do whatever it takes*, and *have fun*. These values are woven into each aspect of our work and how we treat our associates, clients, and shareholders. Furthermore, our guiding principles underpin our mission and purpose that reflects not only Jack Henry today, but where we are moving in the future.

Since 1976, the needs and expectations of people and businesses have changed – and technology has transformed the financial industry as we know it. But one thing that hasn't changed is Jack Henry's dedication to community and regional financial institutions and the people and businesses they serve. We've always believed the world is a better place with these financial institutions, and we intend to keep it that way. While the latest industry disruption presents threats, we are committed to helping our clients navigate, adapt, and capitalize on the opportunities.

We develop and evolve as needed – just like our founders did – because we are focused on the success of our associates and clients and the long-term viability of our organization. Jack Henry's fiscal year 2022 was very solid and one in which we can take great pride. We look forward to what fiscal year 2023 brings.

Jack Henry and Jerry Hall, Founders of Jack Henry

2022 ANNUAL REPORT

FINANCIALS

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BUSINESS

Jack Henry & Associates, Inc. ("JKHY") is a well-rounded financial technology company. JKHY was founded in 1976 as a provider of core information processing solutions for banks. Today, the Company's extensive array of products and services includes processing transactions, automating business processes, and managing information for over 7,800 financial institutions and diverse corporate entities.

JKHY provides its products and services primarily to financial institutions:

- Core bank integrated data processing systems are provided to over 950 banks ranging from de novo to multi-billion-dollar institutions with assets of up to $50 billion. The number of banks we serve has decreased in the last year due to acquisitions and mergers within the banking industry, which are discussed further under the heading "Industry Background" in this Item 1. Our banking solutions support both on-premise and private cloud operating environments with three functionally distinct core processing platforms and more than 140 integrated complementary solutions.
- Core credit union data processing solutions are provided to credit unions of all sizes, with a growing client base of nearly 720 credit union customers. There is one flagship core processing platform and more than 100 integrated complementary solutions that support both on-premise and private cloud operating environments.
- Non-core highly specialized core-agnostic products and services are also provided to financial institutions. There are more than 100 complementary solutions that offer highly specialized financial performance, imaging and payments processing, information security and risk management, retail delivery, and online and mobile solutions. These products and services enhance the performance of traditional financial services organizations of all asset sizes and charters, and non-traditional diverse corporate entities with over 7,800 customers, comprised of nearly 1,650 of our core customers included in our bank and credit union customers listed above, as well as over 6,150 other non-core customers.

Our products and services provide our customers with solutions that can be tailored to support their unique growth, service, operational, and performance goals. Our well-rounded solutions also enable financial institutions to offer the high-demand products and services required by their customers to compete more successfully, and to capitalize on evolving trends shaping the financial services industry.

We are committed to exceeding our customers' service-related expectations. We measure and monitor customer satisfaction using annual surveys and randomly-generated online surveys initiated each day by routine support requests. We believe the results of this extensive survey process confirm that our service consistently exceeds our customers' expectations and generates excellent customer retention rates.

We also focus on establishing long-term customer relationships, continually expanding and strengthening those relationships with cross sales of additional products and services, earning new financial and non-financial clients, and ensuring our product offerings are highly competitive.

The majority of our revenue is derived from support and services provided by our private cloud services for our hosted customers that are typically on a seven-year or greater contract, recurring electronic payment solutions that are also generally on a contract term of seven years or greater, and to our on-premise customers that are typically on a one-year contract. Less predictable software license fees, paid by customers implementing our software solutions on-premise, and hardware sales, including all non-software products that we re-market in order to support our software systems, complement our primary revenue sources. Information regarding the classification of our business into four separate segments is set forth in Note 14 to the consolidated financial statements (see Item 8).

JKHY's progress and performance have been guided by the focused work ethic and fundamental ideals fostered by the Company's founders 46 years ago:

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

We recognize that our associates and their collective contribution are ultimately responsible for JKHY's past, present, and future success. Recruiting and retaining high-quality employees is essential to our ongoing growth and financial performance, and we believe we have established an organizational culture that sustains high levels of employee engagement. For further discussion of our human capital considerations, see "Human Capital" below.

COVID-19 Impact and Response

Since its outbreak in early calendar 2020, COVID-19 has rapidly spread and continues to represent a public health concern. The health, safety, and well-being of our employees and customers is of paramount importance to us. In March 2020, we established an internal task force composed of executive officers and other members of management to frequently assess updates to the COVID-19 situation and recommend Company actions. We offered remote working as a recommended option to employees whose job duties allowed them to work off-site, and we suspended all non-essential business travel. As of August 15, 2022, the majority of our employees were continuing to work remotely either full time or in a hybrid capacity. We have announced that our official return-to-office date is September 6, 2022, though employees have been permitted to voluntarily return to the office since May 2, 2022. Individual decisions on returning to the office will be manager-coordinated and based on conversations with specific teams and departments. A large number of our employees have requested to remain fully remote or participate in a hybrid approach where they would split their time between remote and in-person working. While our business travel is normalizing, we do not expect it to return to pre-pandemic levels and continue to encourage a cautious approach to business travel activities.

Customers

We work closely with our customers who are scheduled for on-site visits to ensure their needs are met while taking necessary safety precautions when our employees are required to be at a customer site. Delays of customer system installations due to COVID-19 have been limited, and we have developed processes to handle remote installations when available. We expect these processes to provide flexibility and value both during and after the COVID-19 pandemic. Even though a substantial portion of our workforce has worked remotely during the outbreak and business travel has been limited, we have not yet experienced significant disruption to our operations. We believe our technological capabilities are well positioned to allow our employees to work remotely without materially impacting our business.

Financial Impact

Despite the changes and restrictions caused by COVID-19, the overall financial and operational impact on our business has been limited and our liquidity, balance sheet, and business trends remain strong. We experienced positive operating cash flows during fiscal 2022, and we do not expect that to change in the near term. However, we are unable to accurately predict the future impact of COVID-19 due to a number of uncertainties, including further government actions; the duration, severity and recurrence of the outbreak, including the onset of variants of the virus; the effectiveness of vaccines against new variants; the development and effectiveness of treatments; the effect on the economy generally; the potential impact to our customers, vendors, and employees; and how the potential impact might affect future customer services, processing and installation-related revenue, and processes and efficiencies within the Company directly or indirectly impacting financial results. We will continue to monitor COVID-19 and its possible impact on the Company and to take steps necessary to protect the health and safety of our employees and customers. For a further discussion of the uncertainties and risks associated with COVID-19, see Part II, Item 1A “Risk Factors” in this Annual Report on Form 10-K.

Industry Background

Our core banking solutions serve commercial banks and savings institutions with up to $50 billion in assets. According to the Federal Deposit Insurance Corporation (“FDIC”), there were approximately 4,790 commercial banks and savings institutions in this asset range as of December 31, 2021, and we currently support over 950 of these banks with one of our three core information processing platform and complementary products and services.

Our core credit union solutions serve credit unions of all asset sizes. According to the Credit Union National Association (“CUNA”), there were more than 5,000 domestic credit unions as of December 31, 2021, and we currently support nearly 720 of these credit unions with one flagship core information processing platform and complementary products and services.

Our non-core solutions serve financial services organizations of all asset sizes and charters and other diverse corporate entities. We currently support over 7,800 institutions with specialized solutions for generating additional revenue and growth, increasing security, mitigating operational risks, and controlling operating costs.

The FDIC reports the number of commercial banks and savings institutions declined 18% from the beginning of calendar year 2016 to the end of calendar year 2021, due mainly to mergers. Although the number of banks declined at a 4% compound annual rate during this period, aggregate assets increased at a compound annual rate of 9.0% and totaled $23.7 trillion as of December 31, 2021. There were nine new bank charters issued in calendar year 2021, compared to six in the 2020 calendar year. Comparing calendar years 2021 to 2020, the number of mergers decreased 2%.

CUNA reports the number of credit unions declined 15% from the beginning of calendar year 2016 to the end of calendar year 2021. Although the number of credit unions declined at a 3% compound annual rate during this period, aggregate assets increased at a compound annual rate of 10% and totaled $2.1 trillion as of December 31, 2021.

Community and mid-tier banks and credit unions are important in the communities and to the consumers they serve. Bank customers and credit union members rely on these institutions to provide personalized, relationship-based service and competitive financial products and services available through the customer's delivery channel of choice. Institutions are recognizing that attracting and retaining customers and members in today's highly competitive financial industry and realizing near-term and long-term performance goals are often technology dependent. Financial institutions must implement technological solutions that enable them to:

- Implement e-commerce, mobile, and digital strategies that provide the convenience-driven services required in today's financial services industry;
- Maximize performance with accessible, accurate, and timely business intelligence information;
- Offer the high-demand products and services needed to successfully compete with traditional competitors and non-traditional competitors created by convergence within the financial services industry;
- Enhance the customer/member experience at varied points of contact;
- Expand existing customer/member relationships and strengthen exit barriers by cross selling additional products and services;
- Capitalize on new revenue and deposit growth opportunities;
- Increase operating efficiencies and reduce operating costs;
- Protect mission-critical information assets and operational infrastructure;
- Protect customers/members with various security tools from fraud and related financial losses;
- Maximize the day-to-day use of technology and return on technology investments; and
- Ensure full regulatory compliance.

JKHY's extensive product and service offerings enable diverse financial institutions to capitalize on these business opportunities and respond to these business challenges. We strive to establish a long-term, value-added technology partnership with each customer, and to continually expand our offerings with the specific solutions our customers need to prosper in the evolving financial services industry.

Mission Statement

We strengthen the connections between people and their financial institutions through technology and services that reduce the barriers to financial health.

Purpose Statement

To empower people and communities to gain the financial freedom to move forward.

Business Strategy

Our fundamental business strategy is to generate organic revenue and earnings growth augmented by strategic acquisitions. We execute this strategy by:

- Providing commercial banks and credit unions with core operating systems that provide excellent functionality and support on-premise and private cloud delivery environments with identical functionality.
- Expanding each core customer relationship by cross-selling complementary products and services that enhance the functionality provided by our core information processing systems.
- Providing non-core highly specialized core-agnostic complementary products and services to financial institutions, including institutions not utilizing a JKHY core operating system, and diverse corporate entities.

- Maintaining a company-wide commitment to customer service that consistently exceeds our customers' expectations and generates high levels of customer retention.
- Capitalizing on our acquisition strategy.

Acquisition Strategy

We have a disciplined approach to acquisitions and have been successful in supplementing our organic growth with 34 strategic acquisitions since the end of fiscal 1999. We continue to explore acquisitions that have the potential to:

- Expand our suite of complementary products and services;
- Provide products and services that can be sold to both existing core and non-core customers and outside our base to new customers; and/or
- Provide selective opportunities to sell outside our traditional markets in the financial services industry.

After 46 years in business, we have very few gaps in our product line, so it is increasingly difficult to find proven products or services that would enable our clients and prospects to better optimize their business opportunities or solve specific operational issues. In addition, we see few acquisition opportunities that would expand our market or enable our entry into adjacent markets within the financial services industry that are fairly priced or that we could assimilate into our company without material distractions.

We have a solid track record of executing acquisitions from both a financial and operational standpoint, and we will continue to pursue acquisition opportunities that support our strategic direction, complement and accelerate our organic growth, and generate long-term profitable growth for our stockholders. While we seek to identify appropriate acquisition opportunities, we will continue to explore alternative ways to leverage our cash position and balance sheet to the benefit of our stockholders, such as continued investment in new products and services for our customers, repurchases of our stock, and continued payment of dividends.

Our most recent acquisition was:

Fiscal Year	Company or Product Name	Products and Services
2020	DebtFolio, Inc. ("Geezeo")	Provider of technology solutions and next-generation financial management capabilities primarily for the financial services industry

Solutions

- Our core banking solutions support commercial banks with information and transaction processing platforms that provide enterprise-wide automation. We have three functionally distinct core bank processing systems and more than 140 fully integrated complementary solutions, including business intelligence and bank management, retail and business banking, digital and mobile internet banking and electronic payment solutions, risk management and protection, and item and document imaging solutions. Our core banking solutions have state-of-the-art functional capabilities, and we can re-market the hardware required by on-premise use of each software system. Our banking solutions can be delivered on-premise or through our private cloud delivery model and are backed by a company-wide commitment to provide exceptional personal service. We are a recognized market leader, currently supporting over 950 banks with our technology platforms.
- Our core credit union solutions support credit unions of all sizes with an information and transaction processing platform that provides enterprise-wide automation. Our solution includes one flagship core processing system and more than 100 fully integrated complementary solutions, including business intelligence and credit union management, member and member business services, digital and mobile internet banking and electronic payment solutions, risk management and protection, and item and document imaging solutions. Our credit union solution also has state-of-the-art functional capabilities. We also re-market the hardware required by on-premise use of the software system. Our credit union solution can be delivered on-premise or through our private cloud delivery model, and is backed by our company-wide commitment to provide exceptional personal service. We currently support nearly 720 credit union customers.
- Our non-core solutions for financial institutions are specialized products and services assembled primarily through our focused diversification acquisition strategy. These core-agnostic solutions are compatible with a wide variety of information technology platforms and operating environments and offer more than 100 complementary solutions, including proven solutions for generating additional revenue and growth, increasing security and mitigating operational risks, and/or controlling

operating costs. Our non-core products and services enhance the performance of financial services organizations of all asset sizes and charters, and diverse corporate entities. We have over 7,800 customers, including over 6,150 unique non-core customers. These distinct products and services can be implemented individually or as solution suites to address specific business problems or needs and enable effective responses to dynamic industry trends.

We strive to develop and maintain functionally robust, integrated solutions that are supported with high service levels, regularly updating and improving those solutions using an interactive customer enhancement process; ensuring compliance with relevant regulations; updated with proven advances in technology; and consistent with JKHY's reputation as a premium product and service provider.

Core Software Systems

Core software systems primarily consist of the integrated applications required to process deposit, loan, and general ledger transactions, and to maintain centralized customer/member information.

Our core banking solutions consist of three software systems marketed to banks and our core credit union solution consists of one software system marketed to credit unions. These core systems are available for on-premise installation at customer sites, or financial institutions can choose to leverage our private cloud environment for ongoing information processing.

Core banking platforms are:

- **SilverLake System®,** a robust system primarily designed for commercial-focused banks with assets ranging from $1 billion to $50 billion. Some progressive smaller banks and de novo (start-up) banks also select SilverLake. This system is in use by nearly 450 banks, and now automates over 9% of the domestic banks with assets less than $50 billion.
- **CIF 20/20®,** a parameter-driven, easy-to-use system that now supports approximately 332 banks ranging from de novo institutions to those with assets of $4 billion.
- **Core Director®,** a cost-efficient system with point-and-click operation that now supports nearly 200 banks ranging from de novo institutions to those with assets of $2 billion.

Core credit union platform is:

- **Symitar® (formerly known as Episys**®), a robust system designed specifically for credit unions. It has been implemented by nearly 720 credit unions with assets ranging from $3 million to $35 billion, and according to National Credit Union Administration ("NCUA") data, is the system implemented by more credit unions with assets exceeding $25 million than any other alternative core system.

Customers electing to install our solutions on-premise license the proprietary software systems. The majority of these customers pay ongoing annual software maintenance fees. We re-market the hardware, hardware maintenance, and peripheral equipment that is required by on-premise use of our software solutions; and we perform software implementation, data conversion, training, ongoing support, and other related services. On-premise customers generally license our core software systems under a standard license agreement that provides a fully paid, nonexclusive, nontransferable right to use the software on a single computer at a single location.

Customers can eliminate the significant up-front capital expenditures required by on-premise installations and the responsibility for operating information and transaction processing infrastructures by leveraging our private cloud environment for those functions. Our core private cloud services are provided through a highly resilient data center configuration across multiple physical locations. We also provide image item processing services from two host/archive sites and several key entry and balancing locations throughout the country. We print and mail customer statements for financial institutions from three regional printing and rendering centers. Customers electing to outsource their core processing typically sign contracts for seven or more years that include "per account" fees and minimum guaranteed payments during the contract period.

We support the dynamic business requirements of our core bank and credit union clients with ongoing enhancements to each core system, the regular introduction of new integrated complementary products, the ongoing integration of practical new technologies, and regulatory compliance initiatives. JKHY also serves each core customer as a single point of contact, support, and accountability.

Complementary Products and Services

We have more than 140 complementary products and services that are targeted to our core banks and more than 100 targeted to credit union customers. Many of these are selectively sold to financial services organizations that use other core processing systems.

These complementary solutions enable core bank and credit union clients to respond to evolving customer/member demands, expedite speed-to-market with competitive offerings, increase operating efficiency, address specific operational issues, and generate new revenue streams. The highly specialized solutions enable diverse financial services organizations and corporate entities to generate additional revenue and growth opportunities, increase security and mitigate operational risks, and control operating costs.

JKHY regularly introduces new products and services based on demand for integrated complementary solutions from our existing core clients, and based on the growing demand among financial services organizations and corporate entities for specialized solutions capable of increasing revenue and growth opportunities, mitigating and controlling operational risks, and/or containing costs. The Company's Industry Research department solicits customer guidance on the business solutions they need, evaluates available solutions and competitive offerings, and manages the introduction of new product offerings. JKHY's new complementary products and services are developed internally, acquired, or provided through strategic alliances.

Implementation and Training

Most of our core bank and credit union customers contract with us for implementation and training services in connection with their systems and additional complementary products.

A complete core system implementation typically includes detailed planning, project management, data conversion, and testing. Our experienced implementation teams travel to customer facilities or work remotely with clients to help manage the implementation process and ensure that all data is transferred from the legacy system to the JKHY system. Our implementation fees are fixed or hourly based on the core system being installed.

We also provide extensive initial and ongoing education to our customers. We have a comprehensive training program that supports new customers with basic training and longtime customers with continuing education. The curricula provide the ongoing training financial institutions need to maximize the use of JKHY's core and complementary products, to optimize ongoing system enhancements, and to fully understand dynamic year-end legislative and regulatory requirements. Each basic, intermediate, and advanced course is delivered by system experts, supported by professional materials and training tools, and incorporates different educational media in a blended learning approach. The program supports distinct learning preferences with a variety of delivery channels, including classroom-based courses offered in JKHY's regional training centers, Internet-based live instruction, eLearning courses, on-site training, and train-the-trainer programs.

Support and Services

We serve our customers as a single point of contact and support for the complex solutions we provide. Our comprehensive support infrastructure incorporates:

- Exacting service standards;
- Trained support staff available up to 24 hours a day, 365 days a year;
- Assigned account managers;
- Sophisticated support tools, resources, and technology;
- Broad experience converting diverse banks and credit unions to our core platforms from competitive platforms;
- Highly effective change management and control processes; and
- A best practices methodology developed and refined through the company-wide, day-to-day experience supporting over 7,800 diverse clients.

Most on-premise customers contract for annual software support services, and this represents a significant source of recurring revenue for JKHY. These support services are typically priced at approximately 20% of the respective product's software license fee. The subsequent years' service fees generally increase as customer assets increase and as additional complementary products are purchased. Annual software support fees are typically billed during June and are paid in advance for the entire fiscal year, with proration for new product implementations that occur during the fiscal year. Hardware support fees also are usually paid in advance for entire contract periods which typically range from one to five years. Most support contracts automatically renew unless the customer or JKHY gives notice of termination at least 30 days prior to contract expiration.

High levels of support are provided to our private cloud customers by the same support infrastructure utilized for on-premise customers. However, these support fees are included as part of monthly private cloud fees.

JKHY regularly measures customer satisfaction using annual surveys and more frequent online surveys initiated randomly by routine support requests. We believe the results of the surveys confirm that we consistently exceed our customers' service-related expectations.

Hardware Systems

Our software systems operate on a variety of hardware platforms. We have established remarketing agreements with IBM Corporation, and many other hardware providers that allow JKHY to purchase hardware and related maintenance services at a discount and resell them directly to our customers. We currently sell IBM Power Systems™; Lenovo, Dell, Hewlett Packard, and Cisco servers and workstations; Canon, Digital Check, Epson, and Panini check scanners; and other devices that complement our software solutions.

Digital Products and Services

Jack Henry Digital represents a category of digital products and services that are being built and integrated together into one unified platform. Our main offering is the Banno Digital Platform. It is an online and mobile banking platform that helps community and regional financial institutions strategically differentiate their digital offerings from those of megabanks and other financial technology companies. It is a complete, open digital banking platform that gives community financial institutions attractive, fast, native applications for their customers and members and cloud-based, core-connected back office tools for their employees.

Payment Solutions

Electronic payment solutions provide our customers with the tools necessary to be at the forefront of payment innovation with secure payment processing designed to simplify complex payment processing, attract profitable retail and commercial accounts, increase operating efficiencies, comply with regulatory mandates, and proactively mitigate and manage payment-related risk.

- **JHA Card Processing Solutions ("CPS")** supports full-service and in-house debit and credit card programs backed by a comprehensive suite of tools for fraud mitigation, digital payments, dispute management, plastics manufacturing and personalization, loyalty programs, data analytics, and terminal driving. In addition, advisory services are offered to support a variety of needs including card portfolio growth, start-up program consultation, as well as customized fraud management; all tailored to individual financial institution goals and concerns.
- **Enterprise Payment Solutions ("EPS")** is a comprehensive payments engine. It offers an integrated suite of remote deposit capture, Automated Clearing House ("ACH"), and card transaction processing solutions, risk management tools, reporting capabilities, and more for financial institutions, businesses and FinTechs of all sizes. EPS helps its clients succeed in today's competitive market to increase revenue, improve efficiencies, better manage compliance, and enhance customer relationships.
- **iPay Solutions™** provides consumers and businesses with money movement options through their financial institutions' digital platforms including paying bills, sending money to anyone and transferring funds between their own accounts. iPay's extensive application programming interface ("API") and hosted interfaces allow for multiple levels of integration by digital platforms and financial institutions. iPay provides financial institutions with services and tools to increase adoption, support end-users and monitor fraud. The money movement options keep the consumers and businesses engaged with the financial institution.
- **JHA PayCenter™**, provides our customer financial institutions with a single entry point to both Zelle and Real Time Payments ("RTP") real-time networks with plans to accommodate the Federal Reserve's FedNow in 2024, with testing to begin in 2023. PayCenter manages the certification process and mandatory updates from the networks, simplifies integration with toolkits and provides fraud monitoring. Financial institutions are able to send and receive transactions instantly 24 hours a day, 365 days a year, through our core and complementary solutions.
- **Payments as a Service (PaaS)** ties together and further enhances the complete array of electronic payments functionality with a front end Payments Developers Experience Portal and back end data analytics.

Research and Development

We invest significant resources in ongoing research and development to develop new software solutions and services and enhance existing solutions with additional functionality and features required to ensure regulatory compliance. Our core and complementary systems are enhanced a minimum of once each year. Product-specific enhancements are largely customer-driven with recommended enhancements formally gathered through focus groups, change control boards, strategic initiatives meetings, annual user group meetings, and ongoing customer contact. We also continually evaluate and implement process improvements that expedite the delivery of new products and enhancements to our customers and reduce related costs.

Research and development expenses for fiscal 2022, 2021, and 2020 were $121.4 million, $109.0 million, and $110.0 million, respectively. We recorded capitalized software in fiscal 2022, 2021, and 2020 of $148.2 million, $128.3 million, and $117.3 million, respectively.

Sales and Marketing

JKHY serves established, well-defined markets that provide ongoing sales and cross-sales opportunities.

The marketing and sales initiatives within the core business lines are primarily focused on identifying banks and credit unions evaluating alternative core information and transaction processing solutions. Our non-core specialized core-agnostic niche solutions are sold to complement existing technology platforms to domestic financial services organizations of all asset sizes and charters.

Sales executives are responsible for the activities required to earn new customers in assigned territories, and regional account executives are responsible for nurturing customer relationships and cross selling additional products and services. Our sales professionals receive base salaries and performance-based commission compensation. Sales support staff provide a variety of services, including product and service demonstrations, responses to prospect-issued requests-for-proposals, and proposal and contract generation. Our marketing department supports sales with lead generation and brand-building activities, including participation in state-specific, regional, and national trade shows; print and online advertising; telemarketing; customer/client newsletters; ongoing promotional campaigns; and media relations. JKHY also hosts annual national education conferences which provide opportunities to network with existing clients and demonstrate new products and services.

JKHY has sold select products and services outside the United States, primarily in Latin America and the Caribbean and Canada. International sales accounted for less than 1% of JKHY's total revenue in each of fiscal 2022, 2021, and 2020.

Competition

The market for companies providing technology solutions to financial services organizations is competitive, and we expect that competition from both existing competitors and companies entering our existing or future markets will remain strong. Some of JKHY's current competitors have longer operating histories, larger customer bases, and greater financial resources. The principal competitive factors affecting the market for technology solutions include product/service functionality, price, operating flexibility and ease-of-use, customer support, and existing customer references. For more than a decade there has been significant consolidation among providers of products and services designed for financial institutions, and this consolidation is expected to continue in the future.

Our core solutions compete with large vendors that provide information and transaction processing solutions to banks and credit unions, including Fidelity National Information Services, Inc.; Fiserv, Inc.; and Finastra. Our non-core specialized solutions compete with an array of disparate vendors that provide niche solutions to financial services organizations and corporate entities.

Intellectual Property, Patents, and Trademarks

Although we believe our success depends upon our technical expertise more than our proprietary rights, our future success and ability to compete depend in part upon our proprietary technology. We have registered or filed applications for our primary trademarks. Most of our technology is not patented. Instead, we rely on a combination of contractual rights, copyrights, trademarks, and trade secrets to establish and protect our proprietary technology. We generally enter into confidentiality agreements with our employees, consultants, resellers, customers, and potential customers. Access to and distribution of our Company's source code is restricted, and the disclosure and use of other proprietary information is further limited. Despite our efforts to protect our proprietary rights, unauthorized parties can attempt to copy or otherwise obtain, or use our products or technology. We cannot be certain that the steps taken in this regard will be adequate to prevent misappropriation of our technology or that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology.

Regulatory Compliance

JKHY maintains a corporate commitment to address compliance issues and implement requirements imposed by federal regulators prior to the effective date of such requirements when adequate prior notice is given. JKHY's compliance program is coordinated by a team of compliance analysts and auditors that possess extensive regulatory agency and financial institution experience, and a thorough working knowledge of JKHY and our solutions. These compliance professionals leverage multiple channels to remain informed about potential and recently enacted regulatory requirements, including regular discussions on emerging topics with the Federal Banking Agencies ("FBA") examination team and training sessions sponsored by various professional associations.

JKHY has a process to inform internal stakeholders of new and revised regulatory requirements. Upcoming regulatory changes also are presented to the Company's development teams through monthly regulatory compliance meetings and the necessary product changes are included in the ongoing product development cycle. JKHY publishes newsletters to keep our customers informed of regulatory changes that could impact their operations. Periodically, customer advisory groups are assembled to discuss significant regulatory changes.

Internal audits of our systems, networks, operations, business recovery plans, and applications are conducted and specialized outside firms are periodically engaged to perform testing and validation of our systems, processes, plans and security. The FBA conducts annual reviews throughout the Company and issues a Report of Examination. The Board of Directors provides oversight of these activities through the Risk and Compliance Committee and the Audit Committee.

Government Regulation

The financial services industry is subject to extensive and complex federal and state regulation. All financial institutions are subject to substantial regulatory oversight and supervision. Our products and services must comply with the extensive and evolving regulatory requirements applicable to our customers, including but not limited to those mandated by federal truth-in-lending and truth-in-savings rules, the Privacy of Consumer Financial Information regulations, usury laws, the Equal Credit Opportunity Act, the Fair Housing Act, the Electronic Funds Transfer Act, the Fair Credit Reporting Act, the Bank Secrecy Act, the USA Patriot Act, the Gramm-Leach-Bliley Act, the Community Reinvestment Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act. The compliance of JKHY's products and services with these requirements depends on a variety of factors, including the parameters set through the interactive design, the classification of customers, and the manner in which the customer utilizes the products and services. Our customers are contractually responsible for assessing and determining what is required of them under these regulations and then we provide solutions that assist them in meeting their regulatory needs through our products and services. We cannot predict the impact these regulations, any future amendments to these regulations or any newly implemented regulations will have on our business in the future.

JKHY is not chartered by the Office of the Comptroller of Currency ("OCC"), the Board of Governors of the Federal Reserve System, the FDIC, the NCUA or other federal or state agencies that regulate or supervise depository institutions. However, operating as a service provider to financial institutions, JKHY's operations are governed by the same regulatory requirements as those imposed on financial institutions, and subject to periodic reviews by FBA regulators who have broad supervisory authority to remedy any shortcomings identified in such reviews.

JKHY provides private cloud services through JHA OutLink Processing Services™ for banks and EASE Processing Services™ for credit unions. JKHY provides data centers and electronic transaction processing through JHA Card Processing Solutions™, internet banking through NetTeller® and Banno™ online solutions, bill payment through iPay, network security monitoring and Hosted Network Solutions ("HNS") through our Gladiator® unit, cloud services through Hosted Partner Services and Enterprise Integration Services, and business recovery services through Centurion Disaster Recovery®.

The private cloud services provided by JKHY are subject to examination by FBA regulators under the Bank Service Company Act. These examinations cover a wide variety of subjects, including system development, functionality, reliability, and security, as well as disaster preparedness and business recovery planning. Our private cloud services are also subject to examination by state banking authorities on occasion.

Information and Cybersecurity

In our increasingly interconnected environment, information is inherently exposed to a growing number of risks, threats, and vulnerabilities. As a provider of products and services to financial institutions, we take extreme caution and due care in processing and storing sensitive, personally identifiable information securely. We prioritize protecting our associates, clients, and their private data from the ever-evolving cyber threat environment and ensuring the resiliency of such information.

We have an established information and cybersecurity program maintained by a team of diverse, highly skilled cybersecurity professionals, as well as a portfolio of investments in modern technology including artificial intelligence and machine learning. The program incorporates industry-standard frameworks, policies, and practices designed to protect the confidentiality and privacy of JKHY's and our clients' information. Additionally, we maintain insurance that includes cybersecurity coverage.

In support of the program, our systems and services undergo regular reviews performed by the same regulatory agencies that review financial institutions: Consumer Financial Protection Bureau ("CFPB"), Federal Reserve Board ("FRB"), FDIC, NCUA, and the OCC, among others. Reviews such as those by the Federal Banking agencies (a regulatory group comprised of the FDIC, FRB, and the OCC) assess and identify security gaps or flaws in controls and monitor the effectiveness of our security program. Critical services provided to our clients are subject to annual System and Organization Controls ("SOC") reviews by independent auditors. SOC reports are made available to clients via the client communications portal. Information and cybersecurity leadership reports to the Risk and Compliance Board committee and the full Board of Directors quarterly, on information security and cybersecurity matters.

Human Capital

Our Employees

As of June 30, 2022, we had 6,847 full-time employees. Our employees are not covered by a collective bargaining agreement and there have been no labor-related work stoppages.

Talent Attraction and Engagement

Our people and culture strategy focuses on attracting, engaging, and retaining qualified, diverse, and innovative talent at all levels of the Company. We are a committed equal opportunity employer and all qualified candidates receive consideration for employment without regard to race, color, religion, national origin, age, disability, sex, sexual orientation, gender, gender identity, pregnancy, genetic information, or other characteristics protected by applicable law.

Beyond nondiscrimination compliance, we are committed to fostering a respectful, diverse, and inclusive workplace in which all individuals are treated with respect and dignity. We continue to concentrate efforts on diversity, equity, inclusion, and belonging and have hired employees in the human resources function to focus on this important area. We seek nontraditional talent streams to help identify candidates from underrepresented groups, including through our internship program and our newly launched apprenticeship program. Our internship program focuses on attracting college and university students to paid work in JKHY departments related to their studies, while our apprenticeship program offers paid training and work for candidates (either students or non-students) with little to no traditional experience in the field, such as learning computer coding. Both our internship program and our apprenticeship program can lead to full-time employment. We have sought to expand our sources for candidates for these programs, including by increasing our recruiting efforts at historically black colleges and universities and through relationships with non-profits that promote employment opportunities for veterans.

We continue to engage our Business Innovation Groups ("BIGs") to develop attraction and retention suggestions and practices that advance a diverse, equitable, and inclusive culture. Our BIGs are company-sponsored groups open to all employees. As of June 30, 2022, we had approximately 1,700 unique associates participating in six active BIGs, with five focused on inclusion for specific communities – women, people of color, remote associates, LGBTQ+, and veterans – and one focused on environmental and sustainability topics. While BIGs allow associates to connect and support each other, they also function to assist us in addressing bona fide business problems through input and suggestions. For example, these groups work with executive leadership to actively improve our talent attraction processes for prospective employees. They also provide education, training, and conversation opportunities to all employees to advance diversity, inclusion, understanding, and innovation throughout the Company.

We seek to actively listen to our employees throughout the year using a defined and continual listening strategy designed to gather regular feedback on well-being, engagement, leadership, ethics, culture and values, and other top of mind topics. These surveys allow us to respond to employee concerns, benefit from employee perspectives, and better design and develop processes to support our Company culture. Employees can learn about changes through our quarterly employee update videos or all-employee town hall meetings delivered by senior management.

Training and Development

Our success depends not only on attracting and retaining talented employees, but also in developing our current employees and providing new opportunities for their growth. We offer our employees numerous live and on-demand training programs and resources to help them build knowledge and improve skills. These trainings include mandatory programs, such as security awareness, as well as recommended but optional programs in areas including leadership development; technical skills; and diversity, equity, and inclusion. Jack Tracks, a three-week virtual development event, offers employees a large selection of curated topics such as future readiness, technology trends, and education on Company solutions.

Recognizing the importance of mentoring in career development, we host an internal mentorship marketplace, which allows prospective mentors and mentees to connect and self-initiate a mentoring relationship. We also make career mobility and personal development plan resources available to all employees. In fiscal 2022, we strengthened our leadership capacity by providing training on effective coaching practices to all leaders and offered a virtual summit for the Company's most senior leaders focused on alignment to top priority business initiatives.

We recognize and value the contribution of our employees who develop, improve, and support our technology solutions and we provide additional development opportunities for them to advance their technical expertise. This includes access to on-demand technical training libraries, certification programs, and classes facilitated by external experts.

Wellness and Safety

JKHY emphasizes the safety and well-being of our employees as a top priority. We define wellness comprehensively and include mental, physical, emotional, financial, psychological, and environmental considerations. JKHY offers a competitive compensation and benefits package and supports dedicated campaigns that communicate directly to employees about financial wellness, mental health, healthful nutrition and exercise, and other wellness topics. Employee well-being is further supported through policies such as remote work, paid parental leave, military service leave, educational assistance, and bereavement leave policies.

For more information on our COVID-19 response, see "COVID-19 Impact and Response" above.

Available Information

JKHY's Website is easily accessible to the public at **jackhenry.com**. The "Investors" portion of the Website provides key corporate governance documents, the code of conduct, an archive of press releases, and other relevant Company information. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other filings and amendments thereto that are made with the SEC also are available free of charge on our website as soon as reasonably practical after these reports have been filed with or furnished to the SEC. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at **https://www.sec.gov**.

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") under the symbol "JKHY."

The Company established a practice of paying quarterly dividends in fiscal 1991 and has paid dividends with respect to every quarter since that time. 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.

On August 15, 2022, there were approximately 271,813 holders of the Company's common stock, including individual participants in security position listings.

Issuer Purchases of Equity Securities

The following shares of the Company were repurchased during the quarter ended June 30, 2022:

	Total Number of Shares Purchased [1]	Average Price of Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans [1]
April 1- April 30, 2022	—	$ —	—	3,947,713
May 1- May 31, 2022	—	$ —	—	3,947,713
June 1- June 30, 2022	—	$ —	—	3,947,713
Total	**—**	**$ —**	**—**	**3,947,713**

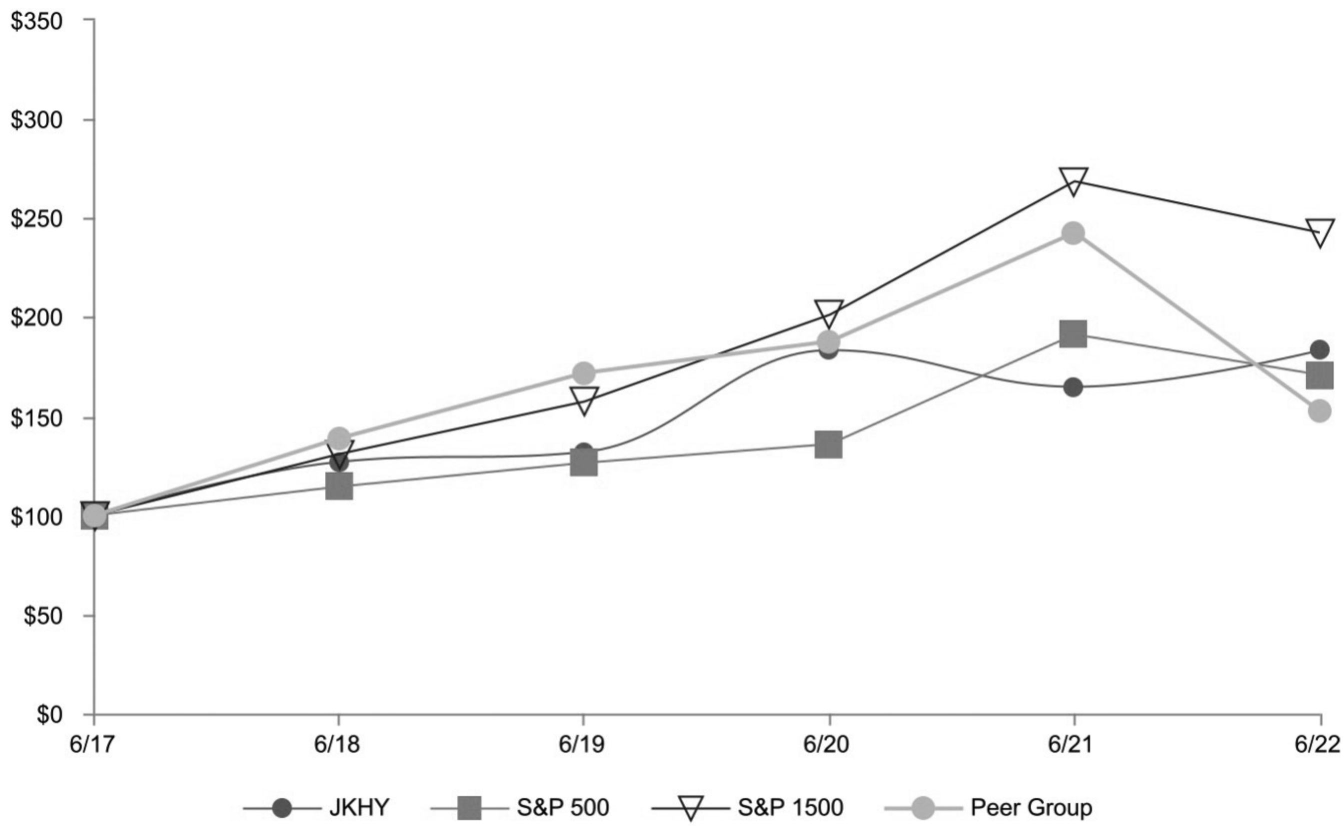
[1] Total stock repurchase authorizations approved by the Company's Board of Directors as of May 17, 2021 were for 35.0 million shares, which includes an authorization on that date of an additional 5.0 million shares. Under these authorizations, the Company has repurchased and not re-issued 31,042,903 shares and has repurchased and re-issued 9,384 shares. The 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, 2022, of the market performance of the Company's common stock with the Standard & Poor's 500 ("S&P 500") Index, the Standard & Poor's Composite 1500 Software & Services ("S&P 1500 Software & Services") Index, and a Peer Group of companies selected by the Company. For comparisons in years following this five-year period ended June 30, 2022, JKHY will no longer present a comparison to the Peer Group of companies selected by the Company. Management has determined that the S&P 1500 Software & Services index provides a more stable base of comparison to the Company's results than the peer group used historically and is less susceptible to outlier performances of individual companies. Further, a large majority of the companies in the current peer group are also included in the S&P 1500 Software & Services index. Comparisons to the S&P 500 and S&P 1500 Software & Services published indices only will be presented for the five-year period ended June 30, 2023 and ongoing periods. Historic stock price performance is not necessarily indicative of future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Jack Henry & Associates, Inc., the S&P 500 Index, the S&P 1500 Software & Services Index, and a Peer Group



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

	2017	2018	2019	2020	2021	2022
JKHY	100.00	127.02	131.92	183.21	164.64	183.26
S&P 500	100.00	114.37	126.29	135.77	191.15	170.86
S&P Composite 1500 Software & Services	100.00	130.96	157.16	201.04	268.31	224.21
Peer Group	100.00	138.79	171.60	187.88	242.66	152.09

This comparison assumes $100 was invested on June 30, 2017 and assumes reinvestments of dividends.

For Peer Group members, total returns are calculated according to market capitalization at the beginning of each period. Peer Group companies selected are in the business of providing specialized computer software, hardware and related services to financial institutions and other businesses. Companies in the fiscal 2022 Peer Group are ACI Worldwide Inc.; Black Knight, Inc.; Block Inc. (formerly Square Inc.); Broadridge Financial Solutions Inc.; Euronet Worldwide Inc.; ExlService Holdings Inc.; Fair Isaac Corp.; Fidelity National Information Services Inc.; Fiserv Inc.; Fleetcor Technologies Inc.; Global Payments Inc.; SS&C Technologies Holdings Inc.; Tyler Technologies Inc.; Verint Systems Inc.; and WEX Inc. Bottomline Technologies (de) Inc., was originally part of the fiscal 2022 peer group, but was acquired in fiscal 2022 and was thus removed from the 2022 peer group and stock performance graph.

The stock performance graph shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following section provides management’s view of the Company’s financial condition and results of operations and should be read in conjunction with the audited consolidated financial statements, and related notes included elsewhere in this report. All dollar and share amounts, except per share amounts, are in thousands and discussions compare fiscal 2022 to fiscal 2021. Discussions of fiscal 2020 items and comparisons between fiscal 2020 and fiscal 2021 that are not included in this Form 10-K can be found in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

OVERVIEW

Jack Henry & Associates, Inc. is a well-rounded financial technology company headquartered in Monett, Missouri, that employs approximately 6,900 full-time and part-time associates nationwide, and is a leading provider of technology solutions and payment processing services primarily for financial services organizations. Its solutions serve over 7,800 customers and consist of integrated data processing systems solutions to U.S. banks ranging from de novo to multi-billion-dollar institutions with assets up to $50 billion, core data processing solutions for credit unions of all sizes, and non-core highly specialized core-agnostic 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. JKHY’s integrated solutions are available for on-premise installation and delivery in our private cloud.

Each of our solutions shares the fundamental commitment to provide high-quality business systems, service levels that consistently exceed customer expectations, and 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 primary marketed brands. We provide compatible computer hardware for our on-premise installations and secure processing environments for our outsourced solutions in our private cloud. We perform data conversions, software implementations, initial and ongoing customer training, and ongoing customer support services.

We believe 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.

Our two primary revenue streams are “services and support” and “processing.” Services and support includes: “private and public cloud” fees that predominantly have contract terms of seven years or longer at inception; “product delivery and services” revenue, which includes revenue from the sales of licenses, implementation services, deconversion fees, consulting, and hardware; and “on-premise support” revenue, composed of maintenance fees which primarily contain annual contract terms. Processing revenue includes: “remittance” revenue from payment processing, remote capture, and ACH transactions; “card” fees, including card transaction processing and monthly fees; and “transaction and digital” revenue, which includes transaction and mobile processing fees. We continually seek opportunities to increase revenue while at the same time containing costs to expand margins.

We have four reportable segments: Core, Payments, Complementary, and Corporate and Other. The respective segments include all related revenues along with the related cost of sales.

COVID-19 Impact and Response

Since its outbreak in early calendar 2020, COVID-19 has rapidly spread and continues to represent a public health concern. The health, safety, and well-being of our employees and customers is of paramount importance to us. In March 2020, we established an internal task force composed of executive officers and other members of management to frequently assess updates to the COVID-19 situation and recommend Company actions. We offered remote working as a recommended option to employees whose job duties allowed them to work off-site, and we suspended all non-essential business travel. As of August 15, 2022, the majority of our employees were continuing to work remotely either full time or in a hybrid capacity. We have announced that our official return-to-office date is September 6, 2022, though employees have been permitted to voluntarily return to the office since May 2, 2022. Individual decisions on returning to the office will be manager-coordinated and based on conversations with specific teams and departments. A large number of our employees have requested to remain fully remote or participate in a hybrid approach where they would split their time between remote and in-person working. While our business travel is normalizing, we do not expect it to return to pre-pandemic levels and continue to encourage a cautious approach to business travel activities.

Customers

We work closely with our customers who are scheduled for on-site visits to ensure their needs are met while taking necessary safety precautions when our employees are required to be at a customer site. Delays of customer system installations due to COVID-19 have been limited, and we have developed processes to handle remote installations when available. We expect these processes to provide flexibility and value both during and after the COVID-19 pandemic. Even though a substantial portion of our workforce has worked remotely during the outbreak and business travel has been limited, we have not yet experienced significant disruption to our operations. We believe our technological capabilities are well positioned to allow our employees to work remotely without materially impacting our business.

Financial Impact

Despite the changes and restrictions caused by COVID-19, the overall financial and operational impact on our business has been limited and our liquidity, balance sheet, and business trends remain strong. We experienced positive operating cash flows during fiscal 2022, and we do not expect that to change in the near term. However, we are unable to accurately predict the future impact of COVID-19 due to a number of uncertainties, including further government actions; the duration, severity and recurrence of the outbreak, including the onset of variants of the virus; the effectiveness of vaccines against new variants; the development and effectiveness of treatments; the effect on the economy generally; the potential impact to our customers, vendors, and employees; and how the potential impact might affect future customer services, processing and installation-related revenue, and processes and efficiencies within the Company directly or indirectly impacting financial results. We will continue to monitor COVID-19 and its possible impact on the Company and to take steps necessary to protect the health and safety of our employees and customers. For a further discussion of the uncertainties and risks associated with COVID-19, see Part II, Item 1A “Risk Factors” in this Annual Report on Form 10-K.

A detailed discussion of the major components of the results of operations follows.

RESULTS OF OPERATIONS

FISCAL 2022 COMPARED TO FISCAL 2021

In fiscal 2022, total revenue increased 11% or $184,659, compared to fiscal 2021. Reducing total revenue for the effects of deconversion fees of $53,279 for the current fiscal year and $20,635 for the prior fiscal year, and for revenue from acquisitions and divestitures in fiscal 2022 of $274 and in fiscal 2021 of $1,182, results in a 9% increase, or $152,923. This increase was primarily driven by growth in private and public cloud, card processing, remittance, implementation, and transaction and digital revenues, partially offset by a decrease in license fee revenue compared to the prior fiscal year.

Operating expenses increased 8% in fiscal 2022 compared to fiscal 2021, primarily due to higher costs related to our card payment processing platform associated with corresponding increases in revenue, higher personnel costs, increased operating licenses and fees, and higher travel expenses.

We move into fiscal 2023 following strong performance in fiscal 2022. Significant portions of our business continue to provide recurring revenue and our 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. We believe 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, 2022 compared to the fiscal year ended June 30, 2021 follows.

REVENUE

Services and Support Revenue

	Year Ended June 30,		% Change
	2022	2021	
Services and support	**$ 1,156,365**	$ 1,048,206	**10 %**
Percentage of total revenue	**60 %**	60 %	

Services and support includes: “private and public cloud” fees that predominantly have contract terms of seven years or greater at inception; “product delivery and services” revenue, which includes revenue from the sales of licenses, implementation services, deconversion fees, consulting, and hardware; and “on-premise support” revenue, which is composed primarily of maintenance fees with annual contract terms.

In the fiscal year ended June 30, 2022, services and support revenue increased compared to the prior fiscal year. Reducing total services and support revenue by the effects of deconversion fees for each year, which totaled $53,279 in fiscal 2022 and $20,635 in fiscal 2021, and for revenue from acquisitions and divestitures in fiscal 2021 of $1,181, revenue grew 7.5%. This increase was primarily driven by higher private and public cloud revenue resulting from organic growth in data processing and hosting fee revenue reflecting a continuing shift of customers to our term license model. Growth in implementation and software usage revenues also contributed to the increase, partially offset by a decrease in license fee revenue compared to the prior fiscal year.

Processing Revenue

	Year Ended June 30,		% Change
	2022	2021	
Processing	**$ 786,519**	$ 710,019	**11 %**
Percentage of total revenue	**40 %**	40 %	

Processing revenue includes: “remittance” revenue from payment processing, remote capture, and ACH transactions; “card” fees, including card transaction processing and monthly fees; and “transaction and digital” revenue, which includes transaction and mobile processing fees. We continually seek opportunities to increase revenue while at the same time containing costs to expand margins.

Processing revenue increased 11% for the fiscal year ended June 30, 2022, compared to the fiscal year ended June 30, 2021, with strong organic growth in the card processing, transaction and digital, and remittance revenue components primarily due to expanding volumes.

OPERATING EXPENSES

Cost of Revenue

	Year Ended June 30,		% Change
	2022	2021	
Cost of revenue	**$ 1,128,614**	$ 1,063,399	**6 %**
Percentage of total revenue	**58 %**	60 %	

Cost of revenue for fiscal 2022 increased 6% compared to fiscal 2021, driven by higher direct costs associated with our card processing platform in line with related revenue increases, higher personnel costs, and higher operating licenses and fees. Cost of revenue decreased 2% as a percentage of total revenue for fiscal 2022 compared to fiscal 2021.

Research and Development

	Year Ended June 30,		% Change
	2022	2021	
Research and development	**$ 121,355**	$ 109,047	**11 %**
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 for fiscal 2022 increased 11% compared to fiscal 2021, primarily due to higher personnel costs, net of capitalization. Research and development expense remained consistent as a percentage of total revenue for fiscal 2022 and fiscal 2021. The consistency of this expense category for the fiscal years presented reflected our continuing commitment to the development of strategic products.

Selling, General, and Administrative

	Year Ended June 30,		% Change
	2022	2021	
Selling, general, and administrative	**$ 218,296**	$ 187,060	**17 %**
Percentage of total revenue	**11 %**	11 %	

Selling, general, and administrative costs included all expenses related to sales efforts, commissions, finance, legal, and human resources, plus all administrative costs.

Selling, general, and administrative expenses for fiscal 2022 increased 17% compared to fiscal 2021. Reducing total selling, general, and administrative expense for the effects of deconversion fees from each year, which totaled $2,485 in fiscal 2022 and $489 in fiscal 2021, and removing the effects of acquisitions, divestitures, and gain/loss of $29 for the current fiscal year and of $(2,012) for the prior fiscal year, selling, general, and administrative expense increased 14% compared to fiscal 2021. This increase was primarily due to higher personnel costs, increased travel expenses, and a smaller gain on sale of assets in the current fiscal year. Selling, general, and administrative expense remained consistent as a percentage of total revenue for fiscal 2022 compared to fiscal 2021.

INTEREST INCOME AND EXPENSE

	Year Ended June 30,				% Change
		2022		2021	
Interest income	**$**	**32**	$	150	**(79)%**
Interest expense	**$**	**(2,384)**	$	(1,144)	**108 %**

Interest income fluctuated due to changes in invested balances and yields on invested balances. Interest expense increased in fiscal 2022 mainly due to the timing and amounts of borrowed balances.

PROVISION/ (BENEFIT) FOR INCOME TAXES

	Year Ended June 30,				% Change
		2022		2021	
Provision/ (Benefit) for income taxes	**$**	**109,351**	$	86,256	**27 %**
Effective rate		**23.2 %**		**21.7 %**	

The increase in the Company's effective tax rate in fiscal 2022 compared to fiscal 2021 was primarily the result of an increase in the state tax rate applied to net deferred tax liabilities and less rate benefit received from research and development credits.

NET INCOME

	Year Ended June 30,				% Change
		2022		2021	
Net income	**$**	**362,916**	$	311,469	**17 %**
Diluted earnings per share	**$**	**4.94**	$	4.12	**20 %**

Net income grew 17% to $362,916, or $4.94 per diluted share, in fiscal 2022 from $311,469, or $4.12 per diluted share, in fiscal 2021. The diluted earnings per share increase year over year was 20%. Growth in net income and earnings per share was primarily due to the organic growth in our lines of revenue in fiscal 2022 compared to fiscal 2021, partially offset by the increase in provision for income taxes.

REPORTABLE SEGMENT DISCUSSION

The Company is a leading provider of technology solutions and payment processing services primarily for financial services organizations.

The Company's operations are classified into four reportable segments: Core, Payments, Complementary, and Corporate and Other. The Core segment provides core information processing platforms to banks and credit unions, which consist of integrated applications required to process deposit, loan, and general ledger transactions, and maintain centralized customer/member information. The Payments segment provides secure payment processing tools and services, including ATM, debit, and credit card processing services; online and mobile bill pay solutions; ACH origination and remote deposit capture processing; and risk management products and services. The Complementary segment provides additional software, hosted processing platforms, and services, including call center support, and network security management, consulting, and monitoring, that can be integrated with our core solutions and many can be used independently. The Corporate and Other segment includes revenue and costs from hardware and other products not attributed to any of the other three segments, as well as operating costs not directly attributable to the other three segments.

Immaterial adjustments were made in fiscal 2022 to reclassify cost of revenue in fiscal 2021 from the Core segment to the Corporate and Other segment to be consistent with the current fiscal year allocation of cost of revenue by segment. The amounts reclassified for the fiscal year ended June 30, 2021 were $135.

Core

	2022	% Change	2021
Revenue	**$ 622,442**	10 %	$ 564,096
Cost of Revenue	**$ 261,585**	6 %	$ 247,150

In fiscal 2022, revenue in the Core segment increased 10% compared to fiscal 2021. Reducing total Core revenue by the effects of deconversion fees from both years, which totaled $23,048 in fiscal 2022 and $7,458 in fiscal 2021, and for revenue from acquisitions and divestitures in fiscal 2021 of $1,180, Core segment revenue increased 8%. This increase was primarily driven by organic increases in our private and public cloud revenue. Cost of revenue in the Core segment increased 6% for fiscal 2022 compared to fiscal 2021 primarily due to increased costs associated with the organic growth in cloud revenue. Core segment cost of revenue decreased 2% as a percentage of revenue for fiscal 2022 compared to fiscal 2021.

Payments

	2022	% Change	2021
Revenue	**$ 707,019**	10 %	$ 642,308
Cost of Revenue	**$ 380,954**	8 %	$ 353,581

In fiscal 2022, revenue in the Payments segment increased 10% compared to fiscal 2021. Reducing total Payments revenue by the effects of deconversion fees from both years, which totaled $14,319 in fiscal 2022 and $6,285 in fiscal 2021, Payments segment revenue increased 9%. This increase was primarily driven by organic growth within card processing and remittance fee revenues. Cost of revenue in the Payments segment increased 8% for fiscal 2022 compared to fiscal 2021 primarily due to increased costs associated with our card processing platform and other costs related to the organic growth in card processing and remittance fees. Payments segment cost of revenue decreased 1% as a percentage of revenue for fiscal 2022 compared to fiscal 2021.

Complementary

	2022	% Change	2021
Revenue	**$ 561,211**	11 %	$ 505,928
Cost of Revenue	**$ 232,088**	9 %	$ 212,627

Revenue in the Complementary segment increased 11% for fiscal 2022 compared to fiscal 2021. Reducing total Complementary revenue by the effects of deconversion fees from both years, which totaled $15,589 in fiscal 2022 and $6,778 in fiscal 2021, and for revenue from acquisitions and divestitures of $274 from fiscal 2022, Complementary segment revenue increased 9%. This increase was driven by organic increases in our transaction and digital, private and public cloud, and on-premise support revenues. Cost of revenue in the Complementary segment increased 9% for fiscal 2022 compared to fiscal 2021, primarily due to higher direct costs, increased personnel costs, amortization expense mainly related to capitalized software, and operating licenses and fees. Complementary segment cost of revenue decreased 1% as a percentage of revenue for fiscal 2022 compared to fiscal 2021.

Corporate and Other

	2022	% Change	2021
Revenue	**$ 52,212**	14 %	$ 45,893
Cost of Revenue	**$ 253,987**	2 %	$ 250,041

Revenue in the Corporate and Other segment increased 14% for fiscal 2022 compared to fiscal 2021. The increase was mainly due to increased on-premise support and implementation revenues.

Cost of revenue for the Corporate and Other segment includes operating costs not directly attributable to any of the other three segments and increased 2% for fiscal 2022 compared to fiscal 2021. The increased Corporate and Other segment cost of revenue was primarily related to increased operating licenses and fees.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents decreased to $48,787 at June 30, 2022 from $50,992 at June 30, 2021. The following table summarizes net cash from operating activities in the statement of cash flows:

	Year Ended June 30,	
	2022	2021
Net income	**$ 362,916**	$ 311,469
Non-cash expenses	**234,676**	211,266
Change in receivables	**(41,508)**	(6,112)
Change in deferred revenue	**6,572**	6,541
Change in other assets and liabilities	**(58,025)**	(61,035)
Net cash provided by operating activities	**$ 504,631**	$ 462,129

Cash provided by operating activities for fiscal 2022 increased 9% compared to fiscal 2021. Cash from operations is primarily used to repay debt, pay dividends and repurchase stock, and for capital expenditures.

Cash used in investing activities for fiscal 2022 totaled $196,344 and included: $148,239 for the ongoing enhancements and development of existing and new product and service offerings; capital expenditures on facilities and equipment of $34,659, mainly for the purchase of computer equipment; $8,491 for the purchase and development of internal use software; and $5,000 for purchase of investments. These expenditures were partially offset by $45 of proceeds from asset sales.

Cash used in investing activities for fiscal 2021 totaled $162,250 and included: $128,343 for the ongoing enhancements and development of existing and new product and service offerings; capital expenditures on facilities and equipment of $22,988, mainly for the purchase of computer equipment; $13,300 for the purchase of investments; $6,506 for the purchase and development of internal use software; and $2,300, net of cash acquired, for asset acquisitions last year; These expenditures were partially offset by $6,187 of proceeds from the sale of assets and $5,000 of proceeds from investments.

Financing activities used cash of $310,492 for fiscal 2022 and included $193,916 for the purchase of treasury shares and $139,070 for dividends paid to stockholders. These expenditures were partially offset by borrowings and repayments on our revolving credit facility and financing leases which netted to a borrowing of $14,873 and $7,621 of net cash inflow related to stock-based compensation.

Financing activities used cash in fiscal 2021 of $462,232 and included $431,529 for the purchase of treasury shares and $133,800 for dividends paid to stockholders. These expenditures were partially offset by borrowings and repayments on our revolving credit facility and financing leases which netted to $99,886 at June 30, 2021 and $3,211 of net cash inflow related to stock-based compensation.

Capital Requirements and Resources

The Company generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures totaling $34,659 and $22,988 for fiscal years ended June 30, 2022 and June 30, 2021, 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, 2022, the Company had no significant outstanding purchase commitments related to property and equipment. We assessed our liquidity needs throughout fiscal 2022, including in relation to the impact of the COVID-19 pandemic, and determined we had adequate capital resources and sufficient access to external financing sources to satisfy our current and reasonably anticipated funding needs. We will continue to monitor and assess these needs going forward.

At June 30, 2022, the Company had contractual obligations of $1,449,442, including operating lease obligations and $1,393,541 related to off-balance sheet purchase obligations. Included in off-balance sheet purchase obligations were open purchase orders of $167,692 and a strategic services agreement entered into by JKHY in fiscal 2017 with First Data® and PSCU® to provide full-service debit and credit card processing on a single platform to all existing core bank and credit union customers, as well as to expand our card processing platform to financial institutions outside our core customer base. This agreement and subsequent amendments include a total purchase commitment at June 30, 2022 of $980,348 over the remaining term of the contract, which currently extends until January 2036, subject to certain renewal terms. Contractual obligations also include an agreement entered into during fiscal 2022 with Google LLC to provide Google Cloud Platform to the Company, including a total purchase commitment at June 30, 2022 of $225,000. Contractual obligations also include an agreement entered into during fiscal 2022 with Feedzai Inc. to provide a software as a service offering that allows prevention, detection, and monitoring of financial crime, including a total purchase commitment at June 30, 2022 of $20,501. Contractual obligations exclude, however, $10,225 of liabilities for uncertain tax positions as we are unable to reasonably estimate the ultimate amount or timing of settlement.

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, 2022, there were 31,043 shares in treasury stock and the Company had the remaining authority to repurchase up to 3,948 additional shares. The total cost of treasury shares at June 30, 2022 was $1,807,118. During fiscal 2022, the Company repurchased 1,250 treasury shares for $193,916. At June 30, 2021, there were 29,793 shares in treasury stock and the Company had authority to repurchase up to 5,198 additional shares.

We have entered into a definitive agreement to acquire Payrailz, LLC. We anticipate the transaction closing on August 31, 2022. In connection with the closing, we expect to amend the revolving credit facility to increase the borrowing limit to allow funding of the transaction.

Revolving credit facility

On February 10, 2020, the Company entered into a five-year senior, unsecured revolving credit facility. The credit facility allows for borrowings of up to $300,000, which may be increased by the Company at any time until maturity to $700,000. The credit facility bears interest at a variable rate equal to (a) a rate based on a eurocurrency rate or (b) an alternate base rate (the highest of (i) 0%, (ii) the U.S. Bank prime rate for such day, (iii) the sum of the Federal Funds Effective Rate for such day plus 0.50% and (iv) 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 and is subject to various financial covenants that require the Company to maintain certain financial ratios as defined in the credit facility agreement. As of June 30, 2022, the Company was in compliance with all such covenants. The revolving credit facility terminates February 10, 2025. There was a $115,000 outstanding balance under the credit facility at June 30, 2022 and $100,000 outstanding balance under this credit facility at June 30, 2021.

Other lines of credit

The Company has an unsecured bank credit line which provides for funding of up to $5,000 and bears interest at the prime rate less 1%. The credit line was renewed in May 2019 and modified in March 2021 to extend the expiration to April 30, 2023. There was no balance outstanding at June 30, 2022 or June 30, 2021.

RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Guidance

In December 2019, the FASB issued Accounting Standards Update (“ASU”) No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which removes certain exceptions and simplifies other requirements of Topic 740 guidance. The ASU was effective for the Company on July 1, 2021. The Company adopted ASU 2019-12 effective July 1, 2021 with no material impact on its condensed consolidated financial statements.

Not Adopted at Fiscal Year End

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. The ASU is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The Company plans to adopt the ASU effective July 1, 2023, and will apply it prospectively to business combinations occurring on or after that date.

CRITICAL ACCOUNTING ESTIMATES

We prepare our consolidated financial statements in accordance with 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 generate revenue from data processing, transaction processing, software licensing and related services, professional services, and hardware sales.

Significant Judgments in Application of the Guidance

Identification of Performance Obligations

We enter into contracts with customers that may include multiple types of goods and services. At contract inception, we assess the solutions and services promised in our contracts with customers and identify a performance obligation for each promise to transfer to the customer a solution or service (or bundle of solutions or services) that is distinct - that is, if the solution or service is separately identifiable from other items in the arrangement and if the customer can benefit from the solution or service on its own or together with other resources that are readily available. Significant judgment is used in the identification and accounting for all performance obligations. We recognize revenue when or as we satisfy each performance obligation by transferring control of a solution or service to the customer.

Determination of Transaction Price

The amount of revenue recognized is based on the consideration we expect to receive in exchange for transferring goods and services to the customer. Our contracts with our customers frequently contain some component of variable consideration. We estimate variable consideration in our contracts primarily using the expected value method, based on both historical and current information. Where appropriate, we may constrain the estimated variable consideration included in the transaction price in the event of a high degree of uncertainty as to the final consideration amount. Significant judgment is used in the estimate of variable consideration of customer contracts that are long-term and include uncertain transactional volumes.

Technology or service components from third parties are frequently included in or combined with our applications or service offerings. Whether we recognize revenue based on the gross amount billed to the customer or the net amount retained involves judgment in determining whether we control the good or service before it is transferred to the customer. This assessment is made at the performance obligation level.

Allocation of Transaction Price

The transaction price, once determined, is allocated between the various performance obligations in the contract based upon their relative standalone selling prices. The standalone selling prices are determined based on the prices at which we separately sell each good or service. For items that are not sold separately, we estimate the standalone selling prices using all information that is reasonably available, including reference to historical pricing data.

Contract Costs

We incur incremental costs to obtain a contract as well as costs to fulfill contracts with customers that are expected to be recovered. These costs consist primarily of sales commissions, which are incurred only if a contract is obtained, and customer conversion or implementation-related costs.

Capitalized costs are amortized based on the transfer of goods or services to which the asset relates, in line with the percentage of revenue recognized for each performance obligation to which the costs are allocated.

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 our future consolidated operating results. For long-lived assets, we consider whether any impairment indicators are present. If impairment indicators are identified, we test the recoverability of the long-lived assets. If this recoverability test is failed, we determine the fair value of the long-lived assets and recognize an impairment loss if the fair value is less than its carrying value.

Capitalization of software development costs

We capitalize certain costs incurred to develop commercial software products. For software that is to be sold, significant areas of judgment 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. Costs 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 include a qualitative assessment of factors that may indicate a potential for impairment, such as: macroeconomic conditions, industry and market changes, our overall financial performance, changes in share price, and an assessment of other events or changes in circumstances that could negatively impact us. If that qualitative assessment indicates a potential for impairment, a quantitative assessment is then required, including 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. Our 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 $115 million outstanding debt with variable interest rates as of June 30, 2022, and a 1% increase in our borrowing rate would increase our annual interest expense by $1.15 million.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

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.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Jack Henry & Associates and its subsidiaries (the "Company") as of June 30, 2022 and 2021, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of June 30, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022 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, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated 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 the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition - estimating variable consideration and identification of and accounting for performance obligations

As discussed in Notes 1 and 2 to the consolidated financial statements, the Company recorded revenue of $1.943 billion for the year ended June 30, 2022. The Company enters into contracts with its customers, which frequently contain multiple performance obligations and variable contract consideration. The amount of revenue recognized is based on the consideration the Company expects to receive in exchange for transferring goods and services to the customer. The Company's contracts with its customers frequently contain some component of variable consideration. Management estimates variable consideration in its contracts primarily using the expected value method, based on both historical and current information. Where appropriate, the Company may constrain the estimated variable consideration included in the transaction price in the event of a high degree of uncertainty as to the final consideration amount. At contract inception, management assesses the solutions and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a solution or service (or bundle of solutions or services) that is distinct - that is, if the solution or service is separately identifiable from other items in the arrangement and if the customer can benefit from the solution or service on its own or together with other resources that are readily available. The Company recognizes revenue when or as it satisfies each performance obligation by transferring control of a solution or service to the customer. Significant judgment in revenue recognition for these customer contracts include, where relevant, (i) the estimation of variable consideration, principally, the varying volume of transactional activity over long-term contracts, and (ii) the identification of and accounting for all performance obligations.

The principal considerations for our determination that performing procedures relating to the estimation of variable consideration and the identification of and accounting for performance obligations is a critical audit matter are significant judgment by management to estimate the variable consideration, principally, the varying volume of transactional activity and the identification of and accounting for all performance obligations in a contract. This in turn resulted in significant audit effort, a high degree of auditor judgment and subjectivity in performing our audit procedures and in evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including the estimation of variable consideration and identification of and accounting for each performance obligation. The procedures also included, among others, evaluating and testing management's process for determining the variable consideration and testing the reasonableness of management's estimation of variable consideration. Testing the estimation of variable consideration included evaluating the terms and conditions of the long-term contracts and the related significant assumptions used in the estimate of the variable consideration, principally, the use of historical transaction volumes to estimate the varying volume of transactional activity. The procedures for testing the performance obligations and variable consideration included evaluation of the terms and conditions for a sample of contracts.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri

August 25, 2022

We have served as the Company's auditor since 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 Rules 13a-15(f) and 15d-15(e). 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 U.S. GAAP.

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 U.S. GAAP, 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, 2022, 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, 2022, was effective.

The Company's internal control over financial reporting as of June 30, 2022, has been audited by the Company's independent registered public accounting firm, as stated in their report appearing in this Item 8.

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

	Year Ended June 30,		
	2022	2021	2020
REVENUE	**$ 1,942,884**	$ 1,758,225	$ 1,697,067
EXPENSES			
Cost of Revenue	**1,128,614**	1,063,399	1,008,464
Research and Development	**121,355**	109,047	109,988
Selling, General, and Administrative	**218,296**	187,060	197,988
Total Expenses	**1,468,265**	1,359,506	1,316,440
OPERATING INCOME	**474,619**	398,719	380,627
INTEREST INCOME (EXPENSE)			
Interest Income	**32**	150	1,137
Interest Expense	**(2,384)**	(1,144)	(688)
Total Interest Income (Expense)	(2,352)	(994)	449
INCOME BEFORE INCOME TAXES	**472,267**	397,725	381,076
PROVISION FOR INCOME TAXES	**109,351**	86,256	84,408
NET INCOME	**$ 362,916**	$ 311,469	$ 296,668
Basic earnings per share	**$ 4.95**	$ 4.12	$ 3.86
Basic weighted average shares outstanding	**73,324**	75,546	76,787
Diluted earnings per share	**$ 4.94**	$ 4.12	$ 3.86
Diluted weighted average shares outstanding	**73,486**	75,658	76,934

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, 2022	June 30, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 48,787**	$ 50,992
Receivables, net	**348,072**	306,564
Income tax receivable	**13,822**	30,243
Prepaid expenses and other	**125,537**	109,723
Deferred costs	**57,105**	46,215
Assets held for sale	**20,201**	—
Total current assets	**613,524**	543,737
PROPERTY AND EQUIPMENT, net	**211,709**	252,481
OTHER ASSETS:		
Non-current deferred costs	**143,750**	127,205
Computer software, net of amortization	**410,957**	368,094
Other non-current assets	**293,526**	249,210
Customer relationships, net of amortization	**69,503**	81,842
Other intangible assets, net of amortization	**25,137**	26,129
Goodwill	**687,458**	687,458
Total other assets	**1,630,331**	1,539,938
Total assets	**$ 2,455,564**	$ 2,336,156
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 21,034**	$ 18,485
Accrued expenses	**192,042**	182,517
Notes payable and current maturities of long-term debt	**67**	110
Deferred revenues	**330,687**	319,748
Total current liabilities	**543,830**	520,860
LONG-TERM LIABILITIES:		
Non-current deferred revenues	**71,485**	75,852
Deferred income tax liability	**292,630**	260,758
Debt, net of current maturities	**115,000**	100,083
Other long-term liabilities	**50,996**	59,311
Total long-term liabilities	**530,111**	496,004
Total liabilities	**1,073,941**	1,016,864
STOCKHOLDERS' EQUITY		
Preferred stock - $1 par value; 500,000 shares authorized, none issued	**—**	—
Common stock - $0.01 par value; 250,000,000 shares authorized; 103,921,724 shares issued at June 30, 2022; 103,795,169 shares issued at June 30, 2021	**1,039**	1,038
Additional paid-in capital	**551,360**	518,960
Retained earnings	**2,636,342**	2,412,496
Less treasury stock at cost 31,042,903 shares at June 30, 2022; 29,792,903 shares at June 30, 2021	**(1,807,118)**	(1,613,202)
Total stockholders' equity	**1,381,623**	1,319,292
Total liabilities and equity	**$ 2,455,564**	$ 2,336,156

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,		
	2022	2021	2020
PREFERRED SHARES:	**—**	—	—
COMMON SHARES:			
Shares, beginning of year	**103,795,169**	103,622,563	103,496,026
Shares issued for equity-based payment arrangements	**46,669**	92,747	52,336
Shares issued for Employee Stock Purchase Plan	**79,886**	79,859	74,201
Shares, end of year	**103,921,724**	103,795,169	103,622,563
COMMON STOCK - PAR VALUE $0.01 PER SHARE:			
Balance, beginning of year	**$ 1,038**	$ 1,036	$ 1,035
Shares issued for equity-based payment arrangements	**—**	1	—
Shares issued for Employee Stock Purchase Plan	**1**	1	1
Balance, end of year	**$ 1,039**	$ 1,038	$ 1,036
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of year	**$ 518,960**	$ 495,005	$ 472,029
Shares issued for equity-based payment arrangements	**—**	(1)	—
Tax withholding related to share based compensation	**(4,152)**	(7,720)	(3,739)
Shares issued for Employee Stock Purchase Plan	**11,772**	10,930	9,832
Stock-based compensation expense	**24,780**	20,746	16,883
Balance, end of year	**$ 551,360**	$ 518,960	$ 495,005
RETAINED EARNINGS:			
Balance, beginning of year	**$ 2,412,496**	$ 2,235,320	$ 2,066,073
Cumulative effect of ASU 2016-13 adoption	**—**	(493)	**—**
Net income	**362,916**	311,469	296,668
Dividends	**(139,070)**	(133,800)	(127,421)
Balance, end of year	**$ 2,636,342**	$ 2,412,496	$ 2,235,320
TREASURY STOCK:			
Balance, beginning of year	**$ (1,613,202)**	$ (1,181,673)	$ (1,110,124)
Purchase of treasury shares	**(193,916)**	(431,529)	(71,549)
Balance, end of year	**$ (1,807,118)**	$ (1,613,202)	$ (1,181,673)
TOTAL STOCKHOLDERS' EQUITY	**$ 1,381,623**	$ 1,319,292	$ 1,549,688
Dividends declared per share	**$ 1.90**	$ 1.78	$ 1.66

See notes to consolidated financial statements.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended June 30,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	**$ 362,916**	$ 311,469	$ 296,668
Adjustments to reconcile net income from operations to net cash from operating activities:			
Depreciation	**50,789**	52,515	52,206
Amortization	**126,835**	123,233	119,599
Change in deferred income taxes	**31,872**	16,760	24,581
Expense for stock-based compensation	**24,780**	20,746	16,883
(Gain)/loss on disposal of assets and businesses	**400**	(1,988)	4,735
Changes in operating assets and liabilities:			
Change in receivables	**(41,508)**	(6,112)	10,540
Change in prepaid expenses, deferred costs and other	**(82,565)**	(57,059)	(25,759)
Change in accounts payable	**6,646**	(94)	(47)
Change in accrued expenses	**1,190**	7,045	19,720
Change in income taxes	**16,704**	(10,927)	(3,723)
Change in deferred revenues	**6,572**	6,541	(4,871)
Net cash from operating activities	**504,631**	462,129	510,532
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for acquisitions, net of cash acquired	**—**	(2,300)	(30,376)
Capital expenditures	**(34,659)**	(22,988)	(53,538)
Proceeds from the sale of assets	**45**	6,187	11,130
Purchased software	**(8,491)**	(6,506)	(6,710)
Computer software developed	**(148,239)**	(128,343)	(117,262)
Proceeds from investments	**—**	5,000	—
Purchase of investments	**(5,000)**	(13,300)	(1,150)
Net cash from investing activities	**(196,344)**	(162,250)	(197,906)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on credit facilities	**332,000**	200,000	55,000
Repayments on credit facilities and financing leases	**(317,127)**	(100,114)	(55,033)
Purchase of treasury stock	**(193,916)**	(431,529)	(71,549)
Dividends paid	**(139,070)**	(133,800)	(127,421)
Proceeds from issuance of common stock upon exercise of stock options	**—**	1	—
Tax withholding payments related to share based compensation	**(4,152)**	(7,721)	(3,739)
Proceeds from sale of common stock	**11,773**	10,931	9,833
Net cash from financing activities	**(310,492)**	(462,232)	(192,909)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**$ (2,205)**	$ (162,353)	$ 119,717
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**$ 50,992**	$ 213,345	$ 93,628
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 48,787**	$ 50,992	$ 213,345

See notes to consolidated financial statements.

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

DESCRIPTION OF THE COMPANY

Jack Henry & Associates, Inc. and subsidiaries ("Jack Henry," "JKHY," or the "Company") is a leading provider of technology solutions and payment processing services primarily for the financial services industry. The Company 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 by providing the conversion and implementation services for financial institutions to utilize JKHY systems, and by providing payment processing other related services. JKHY also provides continuing support and services to customers using on-premise or JKHY cloud-based systems.

CONSOLIDATION

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

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP 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.

Risks and Uncertainties

The novel coronavirus ("COVID-19") pandemic adversely impacted global economic activity and contributed to significant volatility in financial markets during calendar 2020 through calendar 2022 year to date. The Company has not, to this point in time, experienced material impacts from the COVID-19 pandemic, but did assess certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company as of and for its fiscal year ended June 30, 2022 and through the date of this report. The accounting matters assessed included, but were not limited to, the Company's allowance for credit losses, as well as the carrying value of goodwill and other long-lived assets. While there was not a material impact to the Company's consolidated financial statements for fiscal 2022 and no material impacts expected for foreseeable future, the Company will continue to monitor assessments of COVID-19, as well as other factors that could result in material impacts to the Company's consolidated financial statements in future reporting periods.

REVENUE RECOGNITION

The Company generates "Services and Support" revenue through software licensing and related services, private cloud core and complementary software solutions, professional services, and hardware sales. The Company generates "Processing" revenue through processing of remittance transactions, card transactions and monthly fees, and digital transactions.

Significant Judgments in Application of the Guidance

Identification of Performance Obligations

The Company enters into contracts with customers that may include multiple types of goods and services. At contract inception, the Company assesses the solutions and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a solution or service (or bundle of solutions or services) that is distinct - that is, if the solution or service is separately identifiable from other items in the arrangement and if the customer can benefit from the solution or service on its own or together with other resources that are readily available. Significant judgment is used in the identification and accounting for all performance obligations.

Determination of Transaction Price

The amount of revenue recognized is based on the consideration the Company expects to receive in exchange for transferring goods and services to the customer. The Company's contracts with its customers frequently contain some component of variable consideration. The Company estimates variable consideration in its contracts primarily using the expected value method, based on both historical and current information. Where appropriate, the Company may constrain the estimated variable consideration included in the transaction price in the event of a high degree of uncertainty as to the final consideration amount. Significant judgment is used in the estimate of variable consideration of customer contracts that are long-term and include uncertain transactional volumes.

Technology or service components from third parties are frequently included in or combined with the Company's applications or service offerings. Whether the Company recognizes revenue based on the gross amount billed to the customer or the net amount retained involves judgment in determining whether the Company controls the good or service before it is transferred to the customer. This assessment is made at the performance obligation level.

Allocation of Transaction Price

The transaction price, once determined, is allocated between the various performance obligations in the contract based upon their relative standalone selling prices. The standalone selling prices are determined based on the prices at which the Company separately sells each good or service. For items that are not sold separately, the Company estimates the standalone selling prices using all information that is reasonably available, including reference to historical pricing data.

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 for impairment 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 components of operating income, primarily cost of revenue.

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. On July 1, 2020, the Company adopted FASB Accounting Standards Codification ("ASC") Topic 326, Financial Instruments - Credit Losses, ("CECL") (see "Recent Accounting Pronouncements" below). As a result, the Company changed its accounting policy for allowance for credit losses. The accounting policy pursuant to CECL is disclosed below. The adoption of CECL resulted in an immaterial cumulative effect adjustment recorded in retained earnings as of July 1, 2020.

The Company monitors trade and other receivable balances and contract assets and estimates the allowance for lifetime expected credit losses. Estimates of expected credit losses are based on historical collection experience and other factors, including those related to current market conditions and events.

The following table summarizes allowance for credit losses activity for the years ended June 30, 2022, and 2021:

	Year Ended June 30,	
	2022	2021
Allowance for credit losses - beginning balance	**$ 7,266**	$ 6,719
Cumulative effect of accounting standards update adoption	**—**	493
Current provision for expected credit losses	**1,740**	2,130
Write-offs charged against allowance	**(1,389)**	(2,070)
Recoveries of amounts previously written off	**(1)**	(3)
Other	**—**	(3)
Allowance for credit losses - ending balance	**$ 7,616**	**$ 7,266**

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 (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 it is more likely than not that the carrying amount of its assets might not be recoverable. The Company evaluates goodwill for impairment of value on an annual basis as of January 1 and between annual tests if events or changes in circumstances indicate that it is more likely than not that the asset might be impaired.

PURCHASE OF INVESTMENT

At June 30, 2022 and 2021, the Company had $18,250 and $13,250, respectively, invested in the preferred stock of Automated Bookkeeping, Inc. (“Autobooks”), which represents a non-controlling share of the voting equity of Autobooks. This investment was recorded at cost and is included within other non-current assets on the Company’s balance sheet. The fair value of this investment has not been estimated, as estimation is not practicable due to limited investors which reduces available comparative information. There have been no events or changes in circumstances that would indicate an impairment and no price changes resulting from observing a similar or identical investment. An impairment and/or an observable price change would be an adjustment to recorded cost. Fair value will not be estimated unless there are identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. Equity transactions are monitored quarterly to assess whether there are indicators of fair value.

COMPREHENSIVE INCOME

Comprehensive income for each of the fiscal years ending June 30, 2022, 2021, and 2020 equals the Company’s net income.

REPORTABLE SEGMENT INFORMATION

In accordance with U.S. GAAP, the Company’s operations are classified as four reportable segments: Core, Payments, Complementary, and Corporate and Other (see Note 14). 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, 2022, there were 31,043 shares in treasury stock and the Company had the remaining authority to repurchase up to 3,948 additional shares of its common stock. The total cost of treasury shares at June 30, 2022 was $1,807,118. During fiscal 2022, the Company repurchased 1,250 shares of its common stock for $193,916 to be held in treasury. At June 30, 2021, there were 29,793 shares in treasury stock and the Company had authority to repurchase up to 5,198 additional shares of its common stock.

EARNINGS PER SHARE

Per share information is based on the weighted average number of common shares outstanding during the year. Stock options and restricted stock 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 11).

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 unrecognized benefits for uncertain tax positions. The Company's policy is to include interest and penalties related to unrecognized tax benefits in income tax expense.

RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Guidance

In December of 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which removes certain exceptions and simplifies other requirements of Topic 740 guidance. The ASU was effective for the Company on July 1, 2021. The Company adopted ASU 2019-12 effective July 1, 2021 and the adoption did not have a material impact on its consolidated financial statements.

Not Adopted at Fiscal Year End

In October of 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. The ASU is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The Company plans to adopt the ASU effective July 1, 2023, and will apply it prospectively to business combinations occurring on or after that date.

NOTE 2. REVENUE AND DEFERRED COSTS

Revenue Recognition

The Company generates revenue from data processing, transaction processing, software licensing and related services, professional services, and hardware sales.

The Company recognizes revenue when or as it satisfies each performance obligation by transferring control of a solution or service to the customer.

The following describes the nature of the Company's primary types of revenue:

Processing

Processing revenue is generated from transaction-based fees for electronic deposit and payment services, electronic funds transfers and debit and credit card processing. The Company's arrangements for these services typically require the Company to "stand-ready" to provide specific services on a when and if needed basis by processing an unspecified number of transactions over the contractual term. The fees for these services may be fixed or variable (based upon performing an unspecified quantity of services), and pricing may include tiered pricing structures. Amounts of revenue allocated to these services are recognized as those services are performed. Customers are typically billed monthly for transactions processed during the month. The Company evaluates tiered pricing to determine if a material right exists. If, after that evaluation, it determines a material right does exist, it assigns value to the material right based upon standalone selling price after estimation of breakage associated with the material right.

Private and Public Cloud

Private and public cloud revenue is generated from data and item processing services and hosting fees. The Company's arrangements for these services typically require the Company to "stand-ready" to provide specific services on a when and if needed basis. The fees for these services may be fixed or variable (based upon performing an unspecified quantity of services), and pricing may include tiered pricing structures. Amounts of revenue allocated to these services are recognized as those services are performed. Data and item processing services are typically billed monthly. The Company evaluates tiered pricing to determine if a material right exists. If, after that evaluation, it determines a material right does exist, it assigns value to the material right based upon standalone selling price.

Product Delivery and Services

Product delivery and services revenue is generated primarily from software licensing and related professional services and hardware delivery. Software licenses, along with any professional services from which they are not considered distinct, are recognized as they are delivered to the customer. Hardware revenue is recognized upon delivery. Professional services that are distinct are recognized as the services are performed. Deconversion fees are also included within product delivery and services and are considered a contract modification. Therefore, the Company recognizes these fees over the remaining modified contract term.

On-Premise Support

On-premise support revenue is generated from software maintenance for ongoing client support and software usage, which includes a license and ongoing client support. The Company's arrangements for these services typically require the Company to "stand-ready" to provide specific services on a when and if needed basis. The fees for these services may be fixed or variable (based upon performing an unspecified quantity of services). Software maintenance fees are typically billed to the customer annually in advance and recognized ratably over the maintenance term. Software usage is typically billed annually in advance, with the license delivered and recognized at the outset, and the maintenance fee recognized ratably over the maintenance term. Accordingly, the Company utilizes the practical expedient which allows entities to disregard the effects of a financing component when the contract period is one year or less.

Taxes collected from customers and remitted to governmental authorities are not included in revenue. The Company includes reimbursements from customers for expenses incurred in providing services (such as for postage, travel and telecommunications costs) in revenue, while the related costs are included in cost of revenue.

Disaggregation of Revenue

The tables below present the Company's revenue disaggregated by type of revenue. Refer to Note 14 – Reportable Segment Information, for disaggregated revenue by type and reportable segment. The majority of the Company's revenue is earned domestically, with revenue from customers outside the United States comprising less than 1% of total revenue.

	Year Ended June 30,		
	2022	2021	2020
Private and Public Cloud	**$ 561,500**	$ 504,548	$ 464,066
Product Delivery and Services	**250,843**	208,856	259,110
On-Premise Support	**344,022**	334,802	328,275
Services and Support	**1,156,365**	1,048,206	1,051,451
Processing	**786,519**	710,019	645,616
Total Revenue	**$ 1,942,884**	$ 1,758,225	$ 1,697,067

Contract Balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

	June 30, 2022	June 30, 2021
Receivables, net	**$ 348,072**	$ 306,564
Contract Assets- Current	**24,447**	22,884
Contract Assets- Non-current	**68,261**	52,920
Contract Liabilities (Deferred Revenue)- Current	**330,687**	319,748
Contract Liabilities (Deferred Revenue)- Non-current	**71,485**	75,852

Contract assets primarily result from revenue being recognized when or as control of a solution or service is transferred to the customer, but where invoicing is contingent upon the completion of other performance obligations or payment terms differ from the provisioning of services. The current portion of contract assets is reported within prepaid expenses and other in the consolidated balance sheet, and the non-current portion is included in other non-current assets. Contract liabilities (deferred revenue) primarily relate to consideration received from customers in advance of delivery of the related goods and services to the customer. Contract balances are reported in a net contract asset or liability position on a contract-by-contract basis at the end of each reporting period.

The Company analyzes contract language to identify if a significant financing component does exist and would adjust the transaction price for any material effects of the time value of money if the timing of payments provides either party to the contract with a significant benefit of financing the transaction.

For the fiscal years ended June 30, 2022, 2021, and 2020, the Company recognized revenue of $270,972, $256,952, and $259,887, respectively, that was included in the corresponding deferred revenue balance at the beginning of the periods.

Amounts recognized that relate to performance obligations satisfied (or partially satisfied) in prior periods were immaterial for each period presented. These adjustments are primarily the result of transaction price re-allocations due to changes in estimates of variable consideration.

Transaction Price Allocated to Remaining Performance Obligations

As of June 30, 2022, estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period totaled $5,659,080. The Company expects to recognize approximately 26% over the next 12 months, 20% in 13 - 24 months, and the balance thereafter.

Contract Costs

The Company incurs incremental costs to obtain a contract as well as costs to fulfill contracts with customers that are expected to be recovered. These costs consist primarily of sales commissions, which are incurred only if a contract is obtained, and customer conversion or implementation-related costs. Capitalized costs are amortized based on the transfer of goods or services to which the asset relates, in line with the percentage of revenue recognized for each performance obligation to which the costs are allocated.

Capitalized costs totaled $380,095 and $314,807, at June 30, 2022 and 2021, respectively.

During the fiscal years ended June 30, 2022, 2021, and 2020, amortization of deferred contract costs totaled $133,174, $122,143, and $117,763, respectively. There were no impairment losses in relation to capitalized costs for the periods presented.

NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

For cash equivalents, certificates of deposit, 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 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 current assets is as follows:

	Estimated Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
June 30, 2022				
Financial Assets:				
Certificates of Deposit	**$ —**	**$ 1,212**	**$ —**	**$ 1,212**
Financial Liabilities:				
Revolving credit facility	**$ —**	**$ 115,000**	**$ —**	**$ 115,000**
June 30, 2021				
Financial Assets:				
Certificates of Deposit	$ —	$ 1,200	$ —	$ 1,200
Financial Liabilities:				
Revolving credit facility	$ —	$ 100,000	$ —	$ 100,000

NOTE 4. LEASES

The Company adopted ASU 2016-02 and its related amendments (collectively known as "ASC 842") on July 1, 2019 using the optional transition method in ASU 2018-11. Therefore, the reported results for fiscal years ended June 30, 2022, 2021, and 2020 reflect the application of ASC 842.

The Company determines if an arrangement is a lease, or contains a lease, at inception. The lease term begins on the commencement date, which is the date the Company takes possession of the property and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The lease term is used to determine lease classification as an operating or finance lease and is used to calculate straight-line expense for operating leases.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. As a practical expedient, lease agreements with lease and non-lease components are accounted for as a single lease component for all asset classes, which are comprised of real estate leases and equipment leases. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. ROU assets also include prepaid lease payments and exclude lease incentives received. The Company estimates contingent lease incentives when it is probable that the Company is entitled to the incentive at lease commencement. Since the Company's leases do not typically provide an implicit rate, the Company uses its incremental borrowing rate based upon the information available at commencement date for both real estate and equipment leases. The determination of the incremental borrowing rate requires judgment. The Company determines the incremental borrowing rate using the Company's current unsecured borrowing rate, adjusted for various factors such as collateralization and term to align with the terms of the lease. The Company elected the short-term lease recognition exemption for all leases that qualify. Therefore, leases with an initial term of 12 months or less are not recorded on the balance sheet; instead, lease payments are recognized as lease expense on a straight-line basis over the lease term.

The Company leases certain office space, data centers and equipment. The Company's leases have remaining terms of 1 to 11 years. Certain leases contain renewal options for varying periods, which are at the Company's sole discretion. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company's ROU assets and lease liabilities. Certain leases require the Company to pay taxes, insurance, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the lease liability to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred. Certain leases include options to purchase the leased asset at the end of the lease term, which is assessed as a part of the Company's lease classification determination. The depreciable life of the ROU asset and leasehold improvements are limited by the expected lease term unless the Company is reasonably certain of a transfer of title or purchase option.

At June 30, 2022, and 2021, the Company had operating lease assets of $46,869 and $55,977 and financing lease assets of $65 and $188, respectively. At June 30, 2022, total operating lease liabilities of $51,452 were comprised of current operating lease liabilities of $10,681 and noncurrent operating lease liabilities of $40,771, and all of the financing lease liabilities of $67 were current financing lease liabilities. At June 30, 2021, total operating lease liabilities of $60,828 were comprised of current operating lease liabilities of $11,460 and noncurrent operating lease liabilities of $49,368, and total financing lease liabilities of $193 were comprised of current financing lease liabilities of $110 and noncurrent financing lease liabilities of $83.

Operating lease assets are included within other non-current assets and operating lease liabilities are included with accrued expenses (current portion) and other long-term liabilities (noncurrent portion) in the Company's consolidated balance sheet. Operating lease assets were recorded net of accumulated amortization of $31,006 and $23,813 as of June 30, 2022, and 2021, respectively. Financing lease assets are included within property and equipment, net and financing lease liabilities are included within notes payable (current portion) and long-term debt (noncurrent portion) in the Company's consolidated balance sheet. Financing lease assets were recorded net of accumulated amortization of $255 and $153 as of June 30, 2022, and 2021, respectively.

Operating lease costs for the fiscal years ended June 30, 2022, 2021, and 2020 were $13,058, $14,676, and $16,029, respectively. Financing lease costs for the fiscal years ended June 30, 2022, 2021, and 2020 were $105, $121, and $41, respectively. Total operating and financing lease costs for the fiscal years ended June 30, 2022, 2021, and 2020 included variable lease costs of approximately $2,333, $3,831, and $4,017, respectively. Operating and financing lease expense are included within cost of services, research and development, and selling, general and administrative expense, dependent upon the nature and use of the ROU asset, in the Company's consolidated statement of income.

For the fiscal years ended June 30, 2022, 2021, and 2020, operating cash flows for payments on operating leases were $13,082, $13,672, and $14,348, respectively, and ROU assets obtained in exchange for operating lease liabilities were $2,407, $4,691, and $4,212, respectively. Financing cash flows for payments on financing leases for the fiscal years ended June 30, 2022, 2021, and 2020 were $109, $117, and $33, respectively.

As of June 30, 2022, 2021, and 2020, the weighted-average remaining lease terms for the Company's operating leases were 76 months, 81 months, and 88 months, respectively, and the weighted-average discount rates were 2.58%, 2.67%, and 2.76%, respectively. As of June 30, 2022, 2021, and 2020, the weighted-average remaining lease terms for the Company's financing leases were 9 months, 21 months, and 33 months, respectively, and the weighted-average discount rates were 2.29%, 2.39%, and 2.42%, respectively.

Maturity of Lease Liabilities under ASC 842

Future minimum rental payments on operating leases with initial non-cancellable lease terms in excess of one year were due as follows at June 30, 2022*:

Due dates		Future Minimum Rental Payments
2023	$	11,917
2024		10,246
2025		7,490
2026		6,572
2027		5,777
Thereafter		13,899
Total lease payments	$	55,901
Less: interest		(4,449)
Present value of lease liabilities	**$**	**51,452**

*Financing leases were immaterial to the fiscal year, so a maturity of lease liabilities table has only been included for operating leases.

Future lease payments include $5,464 related to options to extend lease terms that are reasonably certain of being exercised. At June 30, 2022, there were $797 in legally binding lease payments for a lease signed but not yet commenced. The commencement date of the lease is July 1, 2022 and has a term of 84 months.

NOTE 5. PROPERTY AND EQUIPMENT

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

	June 30,				
		2022		2021	Estimated Useful Life
Land	**$**	**16,781**	$	22,885	
Land improvements		**23,571**		23,783	5 - 20 years
Buildings		**129,313**		149,041	20 - 30 years
Leasehold improvements		**51,708**		55,407	5 - 30 years (1)
Equipment and furniture		**400,856**		391,507	3 - 10 years
Aircraft and equipment		**41,492**		41,047	4 - 10 years
Construction in progress		**2,547**		3,639	
Finance lease right of use asset (2)		**320**		341	
		666,588		687,650	
Less accumulated depreciation		**454,879**		435,169	
Property and equipment, net	**$**	**211,709**	$	252,481	

(1) Lesser of lease term or estimated useful life

(2) See Note 4 for details

The change in property and equipment in accrued liabilities was a decrease of $4,097 and an increase of $8,699 for the fiscal years ended June 30, 2022, and 2021, respectively. The changes in property and equipment acquired through capital leases were decreases of $21 and $14 for the fiscal years ended June 30, 2022, and 2021, respectively, and an increase of $355 for the fiscal year ended June 30, 2020. These amounts were excluded from capital expenditures on the statements of cash flows.

No impairments of property and equipment were recorded in the fiscal years ended June 30, 2022, 2021, or 2020.

During the quarter ended March 31, 2022, the Company received an offer to purchase one of its facilities and management has committed to sell the facility. At June 30, 2022, this facility's assets were classified as assets held for sale by the Company in the amount of $20,201, and were not included in property and equipment, net. Total assets held for sale by the Company at June 30, 2021, were $0.

NOTE 6. OTHER ASSETS

Goodwill

The carrying amount of goodwill for the fiscal years ended June 30, 2022 and 2021, by reportable segments, is as follows:

	June 30,	
	2022	2021
Core		
Beginning balance	**$ 195,578**	$ 199,956
Goodwill, acquired during the year	**—**	—
Goodwill, transferred during the year[1]	**—**	(4,017)
Goodwill, adjustments related to dispositions	**—**	(361)
Ending balance	**$ 195,578**	$ 195,578
Payments		
Beginning balance	**$ 325,326**	$ 325,326
Goodwill, acquired during the year	**—**	—
Goodwill, adjustments related to dispositions	**—**	—
Ending balance	**$ 325,326**	$ 325,326
Complementary		
Beginning balance	**$ 166,554**	$ 161,052
Goodwill, acquired during the year	**—**	1,485
Goodwill, transferred during the year[1]	**—**	4,017
Goodwill, adjustments related to dispositions	**—**	—
Ending balance	**$ 166,554**	$ 166,554

[1]Related to the transfer of our Call Center line of business from Core to Complementary, $4,017 of goodwill was transferred in fiscal 2021 between the two based upon the estimated fair value of that line of business.

Goodwill acquired during fiscal 2022 and 2021 was $0 and $1,485, respectively. Goodwill consists largely of the growth potential, synergies and economies of scale expected from combining the operations of the Company with those of the entities or assets acquired, together with their assembled workforces. No goodwill has been assigned to the Company's Corporate and Other reportable segment.

Other Intangible Assets

Information regarding other identifiable intangible assets is as follows:

	June 30, 2022		
	Gross Carrying Amount	**Accumulated Amortization**	**Net**
Customer relationships	**$ 316,401**	**$ (246,898)**	**$ 69,503**
Computer software	**$ 1,111,308**	**$ (700,351)**	**$ 410,957**
Other intangible assets:	**$ 108,688**	**$ (83,551)**	**$ 25,137**

	June 30, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	$ 316,401	$ (234,559)	$ 81,842
Computer software	$ 978,099	$ (610,005)	$ 368,094
Other intangible assets:	$ 102,615	$ (76,486)	$ 26,129

Customer relationships have useful lives ranging from 5 to 20 years.

Computer software includes cost of software to be sold, leased, or marketed of $173,402 and costs of internal-use software of $237,555 at June 30, 2022. At June 30, 2021, costs of software to be sold, leased, or marketed totaled $146,090, and costs of internal-use software totaled $222,004.

Computer software includes the unamortized cost of commercial software products developed or acquired by the Company, which are capitalized and amortized over useful lives generally ranging from 5 to 15 years. Amortization expense for computer software totaled $105,036, $99,305, and $92,460 for the fiscal years ended June 30, 2022, 2021, and 2020, respectively. During fiscal 2020, computer software projects totaling $8,710, primarily related to Enterprise Risk Mitigation Solution and Payments Hub, were written off and are included in selling, general, and administrative on the Company's consolidated statement of income and as (gain)/loss on disposal of assets and businesses on the Company's consolidated statement of cash flows. There were no material impairments in fiscal years ended June 30, 2022 and 2021.

The Company's other intangible assets have useful lives ranging from 3 to 20 years.

Amortization expense for all intangible assets was $126,835, $123,233, and $119,599 for the fiscal years ended June 30, 2022, 2021, and 2020, respectively. The estimated aggregate future amortization expense for each of the next five years for all intangible assets remaining as of June 30, 2022, is as follows:

Years Ending June 30,	Computer Software	Customer Relationships	Other Intangible Assets	Total
2023	$ 100,314	$ 9,745	$ 8,137	$ 118,196
2024	83,312	8,363	5,519	97,194
2025	64,739	7,910	3,118	75,767
2026	42,986	7,544	1,458	51,988
2027	19,521	7,451	1,379	28,351

NOTE 7. DEBT

The Company had $67 outstanding short-term debt and $115,000 outstanding long-term debt at June 30, 2022, related to financing leases and the revolving credit facility. The Company had $110 outstanding short-term debt and $100,083 outstanding long-term debt at June 30, 2021.

Revolving credit facility

On February 10, 2020, the Company entered into a five-year senior, unsecured revolving credit facility. The credit facility allows for borrowings of up to $300,000, which may be increased by the Company at any time until maturity to $700,000. The credit facility bears interest at a variable rate equal to (a) a rate based on a eurocurrency rate or (b) an alternate base rate (the highest of (i) 0%, (ii) the U.S. Bank prime rate for such day, (iii) the sum of the Federal Funds Effective Rate for such day plus 0.50% and (iv) 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 and is subject to various financial covenants that require the Company to maintain certain financial ratios as defined in the credit facility agreement. As of June 30, 2022, the Company was in compliance with all such covenants. The revolving credit facility terminates February 10, 2025. There was $115,000 outstanding balance under this credit facility at June 30, 2022 and $100,000 outstanding balance under this credit facility at June 30, 2021.

Other lines of credit

The Company has an unsecured bank credit line which provides for funding of up to $5,000 and bears interest at the prime rate less 1%. The credit line was renewed in May 2019 and modified in March 2021 to extend the expiration to April 30, 2023. There was no balance outstanding at June 30, 2022 or 2021.

Interest

The Company paid interest of $1,788, $852, and $475 during the fiscal years ended June 30, 2022, 2021, and 2020, respectively.

NOTE 8. INCOME TAXES

The provision for income taxes consists of the following:

	Year Ended June 30,		
	2022	2021	2020
Current:			
Federal	**$ 59,390**	$ 55,598	$ 46,137
State	**18,089**	13,897	13,690
Deferred:			
Federal	**24,391**	14,401	21,130
State	**7,481**	2,360	3,451
	$ 109,351	$ 86,256	$ 84,408

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

	June 30,	
	2022	2021
Deferred tax assets:		
Contract and service revenues	**$ 15,340**	$ 13,428
Expense reserves and accruals (bad debts, compensation, and payroll tax)	**15,382**	17,566
Leasing liabilities	**12,868**	15,182
Net operating loss and tax credit carryforwards	**2,107**	3,242
Other, net	**3,311**	2,634
Total gross deferred tax assets	**49,008**	52,052
Valuation allowance	**(200)**	(270)
Net deferred tax assets	**48,808**	51,782
Deferred tax liabilities:		
Accelerated tax depreciation	**(33,390)**	(37,066)
Accelerated tax amortization	**(192,187)**	(175,804)
Contract and service costs	**(104,139)**	(85,696)
Leasing right-of-use assets	**(11,722)**	(13,974)
Total gross deferred liabilities	**(341,438)**	(312,540)
Net deferred tax liability	**$ (292,630)**	$ (260,758)

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

	Year Ended June 30,		
	2022	2021	2020
Computed "expected" tax expense	**21.0 %**	21.0 %	21.0 %
Increase (reduction) in taxes resulting from:			
State income taxes, net of federwal income tax benefits	**4.3 %**	3.2 %	3.6 %
Research and development credit	**(2.0)%**	(2.4)%	(2.4)%
Other (net)	**(0.1)%**	(0.1)%	(0.1)%
	23.2 %	21.7 %	22.1 %

As of June 30, 2022, the Company has $918 of gross federal net operating loss ("NOL") pertaining to the acquisition of Goldleaf Financial Solutions, Inc. which is expected to be utilized after the application of IRC Section 382. Separately, as of June 30, 2022, the Company has state NOL and tax credit carryforwards with a tax-effected value of $215 and $1,700, respectively. The federal and state loss and credit carryover have varying expiration dates, ranging from fiscal 2023 to 2042. Based on state tax rules which restrict utilization of these losses and tax credits, the Company believes it is more likely than not that $200 of these losses and tax credits will expire unutilized. Accordingly, valuation allowances of $200 and $270 have been recorded against the state net operating losses and tax credit carryforwards as of June 30, 2022 and 2021, respectively.

The Company paid income taxes, net of refunds, of $60,553, $80,220, and $63,692 in fiscal 2022, 2021, and 2020, respectively.

At June 30, 2022, the Company had $8,990 of gross unrecognized tax benefits, $8,066 of which, if recognized, would affect its effective tax rate. At June 30, 2021, the Company had $8,762 of unrecognized tax benefits, $8,119 of which, if recognized, would affect its effective tax rate. The Company had accrued interest and penalties of $1,234 and $1,180 related to uncertain tax positions at June 30, 2022 and 2021, respectively. The income tax provision included interest expense and penalties (or benefits) on unrecognized tax benefits of $73, $(310), and $38 in the fiscal years ended June 30, 2022, 2021, and 2020, respectively.

A reconciliation of the unrecognized tax benefits for the fiscal years ended June 30, 2022, 2021, and 2020 follows:

	Unrecognized Tax Benefits
Balance at July 1, 2019	$ 10,495
Additions for current year tax positions	1,451
Additions for prior year tax positions	867
Additions related to business combinations	192
Reductions related to expirations of statute of limitations	(2,893)
Balance at June 30, 2020	10,112
Additions for current year tax positions	1,598
Additions for prior year tax positions	490
Reductions for prior year tax positions	(30)
Reductions related to expirations of statute of limitations	(3,408)
Balance at June 30, 2021	8,762
Additions for current year tax positions	**1,863**
Additions for prior year tax positions	**1,642**
Reductions for prior year tax positions	**(36)**
Reductions related to expirations of statute of limitations	**(3,241)**
Balance at June 30, 2022	**$ 8,990**

The U.S. federal income tax returns for fiscal 2019 and all subsequent years remain subject to examination as of June 30, 2022 under statute of limitations rules. The U.S. state income tax returns that remain subject to examination as of June 30,2022 under the statute of limitation rules varies by state jurisdiction from fiscal 2016 through 2019 and all subsequent years. The Company anticipates that potential changes due to lapsing statutes of limitations and examination closures could reduce the unrecognized tax benefits balance by $1,500 - $4,000 within twelve months of June 30, 2022.

NOTE 9. INDUSTRY AND SUPPLIER CONCENTRATION

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 are maintained for potential credit losses. Customer-related risks are moderated through the inclusion of credit mitigation clauses in the Company's contracts and through the monitoring of timely payments.

In addition, some of the Company's key solutions are dependent on technology manufactured by third parties. Termination of the Company's relationship with one or more of these third parties could have a negative impact on the operations of the Company.

NOTE 10. STOCK-BASED COMPENSATION

The Company's pre-tax operating income for the fiscal years ended June 30, 2022, 2021, and 2020 includes $24,780, $20,746, and $16,883, respectively, of equity-based compensation costs, of which $22,703, $18,817, and $15,148, respectively, relates to the restricted stock plans. Costs are recorded net of estimated forfeitures. The total income tax benefits from equity-based compensation for the fiscal years ended June 30, 2022, 2021, and 2020 were $4,252, $3,258, and $3,072, respectively. These income tax benefits included income tax net excess benefits from stock option exercises and restricted stock vestings of $652, $719, and $340 for the fiscal years ended June 30, 2022, 2021, and 2020, respectively.

Stock Option Awards

On November 10, 2015, the Company adopted the 2015 Equity Incentive Plan ("2015 EIP") for its employees and non-employee directors. The plan allows for grants of stock options, stock appreciation rights, restricted stock shares or units, and performance shares or units. The maximum number of shares authorized for issuance under the plan is 3,000. For stock options, terms and vesting periods of the options were determined by the Compensation Committee of the Board of Directors when granted.

The option period must expire not more than ten years from the options grant date. The options granted under this plan are exercisable beginning three years after grant at an exercise price equal to 100% of the fair market value of the stock at the grant date. The options terminate upon surrender of the option, ninety days after termination of employment, upon the expiration of one year following notification of a deceased optionee, or 10 years after grant.

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, 2019	32	$ 87.27	
Granted	—	—	
Forfeited	—	—	
Exercised	(10)	87.27	
Outstanding July 1, 2020	22	87.27	
Granted	—	—	
Forfeited	—	—	
Exercised	—	—	
Outstanding July 1, 2021	22	87.27	
Granted	**—**	**—**	
Forfeited	**—**	**—**	
Exercised	**(10)**	**87.27**	
Outstanding June 30, 2022	**12**	**$ 87.27**	**$ 1,084**
Vested and Expected to Vest June 30, 2022	**12**	**$ 87.27**	**$ 1,084**
Exercisable June 30, 2022	**12**	**$ 87.27**	**$ 1,084**

There were no options granted in the fiscal years ended June 30, 2022, 2021, and 2020.

The Company utilized a Black-Scholes option pricing model to estimate fair value of the stock option grants at the grant date. All remaining options were granted on July 1, 2016. Assumptions such as expected life, volatility, risk-free interest rate, and dividend yield impact the fair value estimate. These assumptions are subjective and generally require significant analysis and judgment to develop. The risk-free interest rate used in the Company's estimate was determined from external data, while volatility, expected life, and dividend yield assumptions were derived from its historical experience with share-based payment arrangements. The appropriate weight to place on historical experience is a matter of judgment, based on relevant facts and circumstances.

At June 30, 2022, there was no compensation cost yet to be recognized related to outstanding options.

The total intrinsic value of options exercised was $1,005, $0, and $809 for the fiscal years ended June 30, 2022, 2021, and 2020, respectively. There were 10 options exercised for the fiscal year ended June 30, 2022.

Restricted Stock Awards

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 EIP 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 EIP. Upon issuance, shares of restricted stock were subject to forfeiture and to restrictions which limited the sale or transfer of the shares during the restriction period. The restrictions were lifted over periods ranging from 3 years to 5 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, 2019	6	$ 87.27
Granted	—	—
Vested	(6)	87.27
Forfeited	—	—
Outstanding July 1, 2020	—	—
Granted	—	—
Vested	—	—
Forfeited	—	—
Outstanding July 1, 2021	—	—
Granted	**—**	**—**
Vested	**—**	**—**
Forfeited	**—**	**—**
Outstanding June 30, 2022	**—**	**—**

No shares of restricted stock were granted during the fiscal years ended June 30, 2022, 2021, and 2020, respectively.

The non-vested share awards granted prior to July 1, 2016, did 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. The non-vested share awards granted after July 1, 2016, did participate in dividends during the restriction period and the weighted-average fair value of such participating awards was based on the fair market value on the grant date.

Restricted Stock Unit Awards

An amendment to the Restricted Stock Plan was adopted by the Company on August 20, 2010, whereby restricted stock unit ("unit/s") awards were made to employee participants rather than restricted stock. The awarding of units continued with the 2015 Equity Incentive Plan. It is the intention of the Company to settle the unit awards in shares of the Company's stock. Unit awards that have service requirements only and are not tied to performance measures generally vest over a period of 1 to 3 years.

The following table summarizes non-vested unit awards with service requirements only and those tied to service requirements and performance measures as of June 30, 2022, as well as activity for the fiscal year then ended:

Unit awards	**Shares**	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value**
Outstanding July 1, 2019	298	$ 107.00	
Granted[1]	139	157.94	
Vested	(69)	98.25	
Forfeited[2]	(61)	85.33	
Outstanding July 1, 2020	307	136.41	
Granted[1]	113	170.69	
Vested	(124)	111.08	
Forfeited[2]	(2)	140.46	
Outstanding July 1, 2021	294	160.22	
Granted[1]	**135**	**178.60**	
Vested	**(71)**	**145.50**	
Forfeited[2]	**(55)**	**189.33**	
Outstanding June 30, 2022	**303**	**$ 166.50**	**$ 54,548**

[1]Granted includes restricted stock unit awards and performance unit awards at 100% achievement.
[2]Forfeited includes restricted stock unit awards and performance unit awards forfeited for service requirements not met and performance unit awards not settled due to underachievement of performance measures.

The 135 unit awards granted in fiscal 2022 had service requirements and performance measures, with 87 only having service requirements. The unit awards with only service requirements were valued at the weighted average fair value of the non-vested units based on the fair market value of the Company's equity shares on the grant date, less the present value of expected future dividends to be declared during the vesting period, consistent with the methodology for calculating compensation expense on such awards.

The remaining 48 unit awards granted in fiscal 2022 have performance targets along with service requirements. 19 of these performance and service requirement unit awards were valued at grant by estimating 100% payout at release and using the fair market value of the Company equity shares on the grant date, less the present value of expected future dividends to be declared during the vesting period. The payout at release of approximately half of these unit awards will be determined based on the Company's compound annual growth rate ("CAGR") for revenue (excluding adjustments) for the three-year vesting period compared against goal thresholds as defined in the award agreement. The performance payout at release of the other half of these unit awards will be determined based on the expansion of the Company's non-GAAP operating margin over the three-year vesting period compared against goal thresholds as defined in the award agreement. The other 29 performance and service requirement unit awards were valued at grant using a Monte Carlo pricing model as of the measurement date customized to the specific provisions of the Company's plan design. Per the Company's award vesting and settlement provisions, the awards that utilized a Monte Carlo pricing model were valued at grant on the basis of Total Shareholder Return ("TSR") in comparison to the custom peer group ("Compensation Peer Group") comprised of the Standard & Poor's 1500 Software & Services Index ("S&P 1500 S&S Index") participant companies and other participants approved by the Compensation Committee of the Company's Board of Directors for fiscal year 2022. For fiscal years 2021 and 2020, TSR was in comparison to two separate groups – a custom peer group, the Compensation Peer Group in the table below, and the Standard & Poor's 1500 Information Technology Index ("S&P 1500 IT Index") participants – as approved by the Compensation Committee for each of those fiscal years. 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.

The weighted average assumptions used in the Monte Carlo pricing model to estimate fair value at the grant dates for awards with performance targets and service requirements are as follows:

	Year Ended June 30,		
Monte Carlo award inputs:	**2022**	2021	2020
Compensation Peer Group:[1]			
Volatility	**28.6 %**	25.2 %	16.8 %
Risk free interest rate	**0.32 %**	0.11 %	1.34 %
Annual dividend based on most recent quarterly dividend	**$ 1.84**	$ 1.72	$ 1.60
Dividend yield	**1.1 %**	1.0 %	1.1 %
Beginning average percentile rank for TSR	**65 %**	37 %	63 %
S&P 1500 IT Index:			
Volatility		25.2 %	16.8 %
Risk free interest rate		0.11 %	1.34 %
Annual dividend based on most recent quarterly dividend		$ 1.72	$ 1.60
Dividend yield		1.0 %	1.1 %
Beginning average percentile rank for TSR		30 %	61 %

[1]For fiscal 2022, S&P 1500 S&S Index participants were included in the Compensation Peer Group.

At June 30, 2022, there was $19,076 of compensation expense, excluding forfeitures, that has yet to be recognized related to non-vested restricted stock unit awards, which will be recognized over a weighted-average remaining contractual term of 1.12 years.

The fair value of restricted units at vest date totaled $12,139, $21,652, and $11,248 for the fiscal years ended June 30, 2022, 2021, and 2020, respectively.

NOTE 11. EARNINGS PER SHARE

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

	Year Ended June 30,		
	2022	2021	2020
Net Income	**$ 362,916**	$ 311,469	$ 296,668
Common share information:			
Weighted average shares outstanding for basic earnings per share	**73,324**	75,546	76,787
Dilutive effect of stock options, restricted stock units, and restricted stock	**162**	112	147
Weighted average shares outstanding for diluted earnings per share	**73,486**	75,658	76,934
Basic earnings per share	**$ 4.95**	$ 4.12	$ 3.86
Diluted earnings per share	**$ 4.94**	$ 4.12	$ 3.86

Per share information is based on the weighted average number of common shares outstanding for each of the fiscal years. Stock options, restricted stock units, 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 contain non-forfeitable rights to participate in dividends. There were 7 anti-dilutive weighted average shares excluded from the weighted average shares outstanding for diluted earnings per share for fiscal 2022, 11 shares were excluded for fiscal 2021, and 2 shares were excluded for fiscal 2020.

NOTE 12. 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 85% of the closing price of the Company's stock on or around the fifteenth day of each month. During the fiscal years ended June 30, 2022, 2021 and 2020, employees purchased 80, 80, and 74 shares under this plan at average prices of $147.36, $136.87, and $132.51, respectively. As of June 30, 2022, approximately 1,070 shares remained available for future issuance under the plan. 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.

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 eligible compensation. 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 $28,259, $26,783, and $25,155 for the fiscal years ended June 30, 2022, 2021 and 2020, respectively.

NOTE 13. BUSINESS ACQUISITIONS

Geezeo

On July 1, 2019, the Company acquired all of the equity interest of Geezeo for $37,776 paid in cash. The primary reason for the acquisition was to expand the Company's digital financial management solutions and the purchase was funded by cash generated from operations. Geezeo is a Boston-based provider of retail and business digital financial management solutions.

Costs incurred related to the acquisition of Geezeo in fiscal 2020 totaled $30 for professional services, travel, and other fees, and were expensed as incurred and reported within cost of revenue and selling, general, and administrative expense.

The Company's consolidated statement of income for the fiscal years ended June 30, 2022, 2021, and 2020 included revenue of $12,733, $13,233, and $8,969, respectively, and after-tax net income of $4,679, $4,805, and $654, respectively, resulting from Geezeo's operations.

The accompanying consolidated statement of income for the fiscal year ended June 30, 2020 does not include any revenues and expenses related to this acquisition prior to the acquisition date. The impact of this acquisition was considered immaterial to the current and prior periods of our consolidated financial statements and pro forma financial information has not been provided.

NOTE 14. REPORTABLE SEGMENT INFORMATION

The Company is a leading provider of technology solutions and payment processing services primarily for financial services organizations.

The Company's operations are classified into four reportable segments: Core, Payments, Complementary, and Corporate and Other. The Core segment provides core information processing platforms to banks and credit unions, which consist of integrated applications required to process deposit, loan, and general ledger transactions, and maintain centralized customer/member information. The Payments segment provides secure payment processing tools and services, including ATM, debit, and credit card processing services, online and mobile bill pay solutions, and risk management products and services. The Complementary segment provides additional software and services that can be integrated with the Company's core solutions or used independently. The Corporate and Other segment includes revenue and costs from hardware and other products not attributable to the other three segments, as well as operating costs not directly attributable to the other three segments.

The Company evaluates the performance of its segments and allocates resources to them based on various factors, including performance against trend, budget, and forecast. Only revenue and costs of revenue are considered in the evaluation for each segment.

Immaterial adjustments were made in fiscal 2022 to reclassify cost of revenue in fiscal 2021 from the Core segment to the Corporate and Other segment to be consistent with the current fiscal year allocation of cost of revenue by segment. The amounts reclassified for the fiscal year ended June 30, 2021, were $135.

During the second quarter of fiscal 2021, the Company's call center was consolidated into the Complementary segment. As a result of this consolidation, immaterial adjustments were made during fiscal 2021 to reclassify related revenue and costs recognized during the fiscal year ended June 30, 2020, from the Core to the Complementary segment. The total related revenue reclassified was $20,797 for fiscal 2020. The total related cost of revenue reclassified was $12,386 for fiscal 2020.

	Year Ended June 30, 2022				
	Core	**Payments**	**Complementary**	**Corporate and Other**	**Total**
REVENUE					
Services and Support	$ 583,752	$ 78,402	$ 444,485	$ 49,726	$ 1,156,365
Processing	38,690	628,617	116,726	2,486	786,519
Total Revenue	622,442	707,019	561,211	52,212	1,942,884
Cost of Revenue	261,585	380,954	232,088	253,987	1,128,614
Research and Development					121,355
Selling, General, and Administrative					218,296
Total Expenses					1,468,265
SEGMENT INCOME	$ 360,857	$ 326,065	$ 329,123	$ (201,775)	
OPERATING INCOME					474,619
INTEREST INCOME (EXPENSE)					(2,352)
INCOME BEFORE INCOME TAXES					$ 472,267

	Year Ended June 30, 2021				
	Core	Payments	Complementary	Corporate and Other	Total
REVENUE					
Services and Support	$ 529,193	$ 63,445	$ 410,930	$ 44,638	$ 1,048,206
Processing	34,903	578,863	94,998	1,255	710,019
Total Revenue	564,096	642,308	505,928	45,893	1,758,225
Cost of Revenue	247,150	353,581	212,627	250,041	1,063,399
Research and Development					109,047
Selling, General, and Administrative					187,060
Total Expenses					1,359,506
SEGMENT INCOME	$ 316,946	$ 288,727	$ 293,301	$ (204,148)	
OPERATING INCOME					398,719
INTEREST INCOME (EXPENSE)					(994)
INCOME BEFORE INCOME TAXES					$ 397,725

	Year Ended June 30, 2020				
	Core	Payments	Complementary	Corporate and Other	Total
REVENUE					
Services and Support	$ 529,997	$ 66,920	$ 401,639	$ 52,895	$ 1,051,451
Processing	31,372	530,773	82,507	964	645,616
Total Revenue	561,369	597,693	484,146	53,859	1,697,067
Cost of Revenue	240,492	319,739	203,963	244,270	1,008,464
Research and Development					109,988
Selling, General, and Administrative					197,988
Total Expenses					1,316,440
SEGMENT INCOME	$ 320,877	$ 277,954	$ 280,183	$ (190,411)	
OPERATING INCOME					380,627
INTEREST INCOME (EXPENSE)					449
INCOME BEFORE INCOME TAXES					$ 381,076

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

NOTE 15. SUBSEQUENT EVENTS

Sale of Facility

On August 12, 2022, the Company closed on the sale of its San Diego, CA, facility that was committed to during the quarter ended March 31, 2022. The sales price of the facility was $27,500, and proceeds after selling costs were received on the date of closing. The facility sale included assets with a carrying value of approximately $20,201 that were reported as assets held for sale by the Company at June 30, 2022 (see Note 5). The Company expects to recognize a gain on the sale of approximately $6,000 during the first quarter of fiscal 2023.

Dividend

On August 22, 2022, the Company's Board of Directors declared a cash dividend of $0.49 per share on its common stock, payable on September 29, 2022 to stockholders of record on September 9, 2022.

Acquisition

We have entered into a definitive agreement to acquire Payrailz, LLC. We anticipate the transaction closing on August 31, 2022. In connection with the closing, we expect to amend the revolving credit facility to increase the borrowing limit to allow funding of the transaction.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES.

In this annual report, we present Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) and Return on Invested Capital (ROIC), which are non-GAAP financial measures. EBITDA and ROIC represent performance measures and are not intended to represent liquidity measures. EBITDA and ROIC should be used in addition to, and not a substitute for comparable financial measures computed in accordance with U.S. GAAP. We believe that EBITDA and ROIC provide useful information to investors regarding the Company's performance and overall results of operations. EBITDA and ROIC used by the Company may not be comparable to similarly titled non-GAAP measures used by other companies.

EBITDA is defined as net income attributable to the Company before the effect of interest expense, taxes, depreciation, and amortization. A reconciliation of EBITDA to net income, the most directly comparable GAAP financial measure is below:

EBITDA (amounts in thousands)

		FY2022		FY2021		FY2020
Net Income	**$**	**362,916**	**$**	**311,469**	**$**	**296,668**
Interest Expense		2,384		1,144		688
Depreciation and Amortization		177,624		175,748		171,805
Taxes		109,351		86,256		84,408
Total ITDA		**289,359**		**263,148**		**256,901**
EBITDA	**$**	**652,275**	**$**	**574,617**	**$**	**553,569**

ROIC is defined as net income divided by average invested capital, which is the average of beginning and ending long-term debt and stockholders' equity for a period. A reconciliation to the most directly comparable GAAP financial measure is below:

Return on Average Shareholders' Equity (amounts in thousands)		**FY2022**		**FY2021**		**FY2020**
Net Income	$	362,916	$	311,469		296,668
Average Stockholders' Equity		1,350,457		1,434,490		1,489,350
Return on Average Shareholders' Equity		**26.9%**		**21.7%**		**19.9%**

ROIC (amounts in thousands)		**FY2022**		**FY2021**		**FY2020**
Net Income	$	362,916	$	311,469		296,668
Average Stockholders' Equity		1,350,457		1,434,490		1,489,350
Average Current Maturities of Long-term Debt		89		113		58
Average Long-term Debt		107,542		50,146		104
Average Invested Capital		**1,458,088**		**1,484,749**		**1,489,512**
ROIC		**24.9%**		**21.0%**		**19.9%**

BOARD OF DIRECTORS

DAVID B. FOSS

BOARD CHAIR AND CHIEF EXECUTIVE OFFICER

Jack Henry & Associates, Inc. | Monett, Missouri

MATTHEW C. FLANIGAN

VICE CHAIR AND LEAD DIRECTOR

Jack Henry & Associates, Inc. | Monett, Missouri

FORMER EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Leggett & Platt, Inc. | Carthage, Missouri

THOMAS H. WILSON, JR.

MANAGING PARTNER

DecisionPoint Advisors, LLC | Charlotte, North Carolina

JACQUELINE R. FIEGEL

CHAIRMAN/CENTRAL OKLAHOMA REGION

Prosperity Bank | Houston, Texas

THOMAS A. WIMSETT

FOUNDER AND CHAIRMAN

Merchant's PACT, LLC | Louisville, Kentucky

LAURA G. KELLY

FORMER MANAGING DIRECTOR AND PRESIDENT, THE COLUMBIA INSTITUTE

CoreLogic | Irvine, California

SHRUTI S. MIYASHIRO

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Digital Federal Credit Union | Marlborough, Massachusetts

WESLEY A. BROWN

PRESIDENT

Bent St. Vrain & Company, LLC | Denver, Colorado

CURTIS A. CAMPBELL

PRESIDENT OF SOFTWARE

Blucora, Inc. | Dallas, Texas

EXECUTIVE OFFICERS

DAVID B. FOSS

BOARD CHAIR AND CHIEF EXECUTIVE OFFICER

GREGORY R. ADELSON

PRESIDENT AND CHIEF OPERATING OFFICER

MIMI L. CARSLEY

CHIEF FINANCIAL OFFICER AND TREASURER

CRAIG K. MORGAN

GENERAL COUNSEL AND SECRETARY

RENEE A. SWEARINGEN

SENIOR VICE PRESIDENT, CHIEF ACCOUNTING OFFICER, AND ASSISTANT TREASURER

STACEY E. ZENGEL

SENIOR VICE PRESIDENT AND PRESIDENT OF JACK HENRY BANK SOLUTIONS

ANNUAL MEETING

The annual meeting of shareholders will be held on **Tuesday, November 15, 2022, 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 jackhenry.com.

TRANSFER AGENT AND REGISTRAR

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