UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

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

For the fiscal year ended June 30, 2022

OR

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

Commission file number 0-14112

JACK HENRY & ASSOCIATES, INC.

(Exact name of registrant as specified in its charter)

Delaware	43-1128385
(State or Other Jurisdiction of Incorporation)	(I.R.S Employer Identification No.)

663 Highway 60, P.O. Box 807, Monett, MO 65708
(Address of Principle Executive Offices)
(Zip Code)

417-235-6652
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock ($0.01 par value)	JKHY	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging Growth Company	☐		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

On December 31, 2021, the aggregate market value of the Common Stock held by persons other than those who may be deemed affiliates of Registrant was $12,115,984,998 (based on the average of the reported high and low sales prices on Nasdaq on December 31, 2021).

As of August 15, 2022, the Registrant had 72,902,797 shares of Common Stock outstanding ($0.01 par value).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Notice of Annual Meeting of Stockholders and Proxy Statement for its 2022 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III of this Report to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission ("SEC") within 120 days of the Company's fiscal year ended June 30, 2022.

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In this report, all references to “JKHY”, the “Company”, “we”, “us”, and “our”, refer to Jack Henry & Associates, Inc., and its wholly owned subsidiaries. Unless otherwise stated, references to particular years, quarters, months, or periods refer to the Company's fiscal years ended in June and the associated quarters, months, and periods of those fiscal years.

FORWARD LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements may appear throughout this report, including without limitation, in Management's Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “seek,” “anticipate,” “estimate,” “future,” “intend,” “plan,” “strategy,” “predict,” “likely,” “should,” “will,” “would,” “could,” “can,” “may,” and similar expressions. Forward-looking statements are based only on management’s current beliefs, expectations and assumptions regarding the future of the Company, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to, those discussed in this Annual Report on Form 10-K, in particular, those included in Item 1A, “Risk Factors” of this report, and those discussed in other documents we file with the SEC. Any forward-looking statement made in this report speaks only as of the date of this report, and the Company expressly disclaims any obligation to publicly update or revise any forward-looking statement, whether because of new information, future events or otherwise.

PART I

ITEM 1. 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**.

ITEM 1A. RISK FACTORS

The Company's business and the results of its operations are affected by numerous factors and uncertainties, some of which are beyond our control. The following is a description of some of the important risks and uncertainties that may cause our actual results of operations in future periods to differ materially from those expected or desired.

Business and Operating Risks

Data security breaches, failures or other incidents could damage our reputation and business. Our business relies upon receiving, processing, storing and transmitting sensitive information relating to our operations, employees, and customers. If we fail to maintain a sufficient digital security infrastructure, address security vulnerabilities and new threats, or deploy adequate technologies to secure our systems against attack, we may be subject to security breaches that compromise confidential information, adversely affect our ability to operate our business, damage our reputation and business, adversely affect our results of operations and financial condition, and expose us to liability. We rely on industry-standard encryption, network, and Internet security systems, most of which we license from third parties, to provide the security and authentication necessary to effect secure transmission of data and to prevent unauthorized access to our computer networks, systems, and data. A security failure by one of these third parties could expose our information systems to interruption of operations and security vulnerabilities. We also use third-party vendors to store and process data for us and they face similar risks. Our services and infrastructure are increasingly reliant on the Internet. Computer networks and the Internet are vulnerable to unauthorized access, computer viruses and other disruptive problems such as denial of service attacks or other cyber-attacks carried out by cyber criminals or state-sponsored actors. Other potential attacks include attempts to obtain unauthorized access to confidential information or destroy data, often through the introduction of computer viruses, ransomware or malware, cyber-attacks, and other means, which are constantly evolving and difficult to detect. Although none of these types of attacks have had a material effect on our business or operations to date, we anticipate that attempts to attack our systems, services, and infrastructure, and those of our customers and vendors, may grow in frequency and sophistication. Those same parties may also attempt to fraudulently induce employees, customers, vendors, or other users of our systems through phishing schemes or other methods to disclose sensitive information in order to gain access to our data or that of our customers or clients.

We are also subject to the risk that our employees may intercept and transmit unauthorized confidential or proprietary information or that employee corporate-owned computers are stolen or customer data media is lost in shipment. An interception, misuse or mishandling of personal, confidential, or proprietary information being sent to or received from a customer or third party could result in legal liability, remediation costs, regulatory action, and reputational harm, any of which could adversely affect our results of operations and financial condition. Under state, federal, and foreign laws requiring consumer notification of security breaches, the costs to remediate security breaches can be substantial. Although we believe our security controls and infrastructure are adequate to protect our systems and data, we cannot be certain that these efforts will be sufficient to combat all current and future technological risks and threats. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments may render our security measures inadequate. Security risks may result in liability to our customers or other third parties, damage to our reputation, and may deter financial institutions from purchasing our products. The significant amount of capital and other resources we currently expend to protect against the threat of security breaches may prove insufficient to prevent a breach. We cannot ensure that any limitation-of-liability provisions in our customer and user agreements, contracts with third-party vendors, or other contracts are sufficient to protect us from liabilities or damages with respect to claims relating to a security breach or similar matters. The insurance coverage we maintain to address data security risks may be insufficient to cover all types of claims or losses that may arise, and there is no assurance that such insurance coverage will continue to be available to us on economically reasonable terms, or at all. In the event of a security breach, we may need to spend substantial additional capital and resources alleviating problems caused by such breach. Addressing security problems may result in interruptions, delays, or cessation of service to users, any of which could harm our business.

Failure to maintain sufficient technological infrastructure or an operational failure in our outsourcing facilities could expose us to damage claims, increase regulatory scrutiny and cause us to lose customers. Our products and services require substantial investments in technological infrastructure, and we have experienced significant growth in the number of users, transactions, and data that our technological infrastructure supports. If we fail to adequately invest in and support our technological infrastructure and processing capacity, we may not be able to support our customers' processing needs and may be more susceptible to interruptions and delays in services. Damage or destruction that interrupts our outsourcing operations could cause delays and failures in customer processing which could hurt our relationship with customers, damage our reputation, expose us to damage claims, and cause us to incur substantial additional expense to relocate operations and repair or replace damaged equipment. Events that could cause operational failures include, but are not limited to, hardware and software defects, breakdowns or malfunctions, cybersecurity incidents, human error, power losses, disruptions in telecommunications services, computer viruses or other malware, or other events. Our facilities are also subject to physical risks related to natural disasters or severe weather events, such as tornados, flooding, hurricanes, and heat waves. Climate change may increase the likelihood and severity of such events. Our back-up systems and procedures may prove insufficient or otherwise fail to prevent disruption, such as a prolonged interruption of our transaction processing services. If an interruption extends for more than several hours, we may experience data loss or a reduction in revenues by reason of such interruption. Any significant interruption of service could reduce revenue, have a negative impact on our reputation, result in damage claims, lead our present and potential customers to choose other service providers, and lead to increased regulatory scrutiny of the critical services we provide to financial institutions, with resulting increases in compliance burdens and costs. Implementing modifications and upgrades to our technological infrastructure subject us to inherent costs and risks associated with changing systems, policies, procedures, and monitoring tools.

Failures associated with payment transactions could result in financial loss. The volume and dollar amount of payment transactions that we process is significant and continues to grow. We direct the settlement of funds on behalf of financial institutions, other businesses and consumers and receive funds from clients, card issuers, payment networks and consumers on a daily basis for a variety of transaction types. Transactions facilitated by us include debit card, credit card, electronic bill payment transactions, Automated Clearing House ("ACH") payments, real-time payments through faster payment networks, and check clearing that support consumers, financial institutions, and other businesses. If the continuity of operations, integrity of processing, or ability to detect or prevent fraudulent payments were compromised in connection with payments transactions, we could suffer financial as well as reputational loss. In addition, we rely on various third parties to process transactions and provide services in support of the processing of transactions and funds settlement for certain of our products and services that we cannot provide ourselves. If we are unable to obtain such services in the future or if the price of such services becomes unsustainable, our business, financial position and results of operations could be materially and adversely affected. In addition, we may issue short-term credit to consumers, financial institutions or other businesses as part of the funds settlement process. A default on this credit by a counterparty could result in a financial loss to us.

Failures of third-party service providers we rely upon could lead to financial loss. We rely on third party service providers to support key portions of our operations. We also rely on third party service providers to provide part or all of certain services we deliver to customers. As we continue to move more computing, storage, and processing services out of our data centers and facilities and into third-party hosting environments, our reliance on these providers and their systems will increase. While we have selected these third-party vendors carefully, we do not control their actions. A failure of these services by a third party could have a material impact upon our delivery of services to our customers. Such a failure could lead to damage claims, loss of customers, and reputational harm, depending on the duration and severity of the failure. Third parties perform significant operational services on our behalf. These third-party vendors are subject to similar risks as us including, but not limited to, compliance with applicable laws and regulations, hardware and software defects, breakdowns or malfunctions, cybersecurity incidents, human error, power losses, disruptions in telecommunications services, computer viruses or other malware, natural disasters or severe weather events, or other events. One or more of our vendors may experience a cybersecurity event or operational disruption and, if any such event does occur, it may not be adequately addressed, either operationally or financially, by the third-party vendor. Certain of our vendors may have limited indemnification obligations or may not have the financial capacity to satisfy their indemnification obligations. If a critical vendor is unable to meet our needs in a timely manner or if the services or products provided by such a vendor are terminated or otherwise delayed and if we are not able to develop alternative sources for these services and products quickly and cost-effectively, our customers could be negatively impacted, and it could have a material adverse effect on our business.

Competition may result in decreased demand or require price reductions or other concessions to customers, which could result in lower margins and reduce income. We vigorously compete with a variety of software vendors and service providers in all of our major product lines. We compete on the basis of product quality, reliability, performance, ease of use, quality of support and services, integration with other products, and pricing. Some of our competitors may have advantages over us due to their size, product lines, greater marketing resources, or exclusive intellectual property rights. New competitors regularly appear with new products, services, and technology for financial institutions. If competitors offer more favorable pricing, payment or other contractual terms, warranties, or functionality, or otherwise attract our customers or prevent us from capturing new customers we may need to lower prices or offer other terms that negatively impact our results of operations in order to successfully compete.

Failure to achieve favorable renewals of service contracts could negatively affect our business. Our contracts with our customers for outsourced data processing and electronic payment transaction processing services generally run for a period of seven or more years. We will continue to experience a significant number of these contracts coming up for renewal each year. Renewal time presents our customers with the opportunity to consider other providers or to renegotiate their contracts with us, including reducing the services we provide or negotiating the prices paid for our services. If we are not successful in achieving high renewal rates upon favorable terms, revenues and profit margins will suffer. We may experience increased costs for services from our third-party vendors due to inflation or other cost expansion, but because our customer contracts typically have longer terms than our vendor contracts, our ability to pass on those higher costs to customers may be limited. If inflation or costs outpace our contractual ability to adjust pricing during the contractual terms of our customer contracts, our revenues and profit margins could be negatively impacted.

If we fail to adapt our products and services to changes in technology and the markets we serve, we could lose existing customers and be unable to attract new business. The markets for our products and services are characterized by changing customer and regulatory requirements and rapid technological changes. These factors and new product introductions by our existing competitors or by new market entrants could reduce the demand for our existing products and services and we may be required to develop or acquire new products and services. Our future success is dependent on our ability to enhance our existing products and services in a timely manner and to develop or acquire new products and services. If we are unable to develop or acquire new products and services as planned, or if we fail to sell our new or enhanced products and services, we may incur unanticipated expenses or fail to achieve anticipated revenues, as well as lose prospective sales.

Software defects or problems with installations may harm our business and reputation and expose us to potential liability. Our software products are complex and may contain undetected defects, especially in connection with newly released products and software updates. Software defects may cause interruptions or delays to our services as we attempt to correct the problem. We may also experience difficulties in installing or integrating our products on systems used by our customers. Defects in our software, installation problems or delays or other difficulties could result in negative publicity, loss of revenues, loss of competitive position or claims against us by customers. In addition, we rely on technologies and software supplied by third parties that may also contain undetected errors or defects that could have a negative effect on our business and results of operations.

Expansion of services to non-traditional customers could expose us to new risks. We have expanded our services to business lines that are marketed outside our traditional, regulated, and litigation-averse base of financial institution customers. These non-regulated customers may entail greater operational, credit, and litigation risks than we have faced before and could result in increases in bad debts and litigation costs.

Regulatory and Compliance Risks

The software and services we provide to our customers are subject to government regulation that could hinder the development of our business, increase costs, or impose constraints on the way we conduct our operations. The financial services industry is subject to extensive and complex federal and state regulation. As a supplier of software and services to financial institutions, portions of our operations are examined by the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Consumer Financial Protection Bureau, and the National Credit Union Association, among other regulatory agencies. These agencies regulate services we provide and the way we operate, and we are required to comply with a broad range of applicable federal and state laws and regulations. If we, or third parties with whom we contract or partner, fail to comply with applicable regulations or guidelines, we could be subject to regulatory actions and suffer harm to our customer relationships and reputation. Such failures could require significant expenditures to correct and could negatively affect our ability to retain customers and obtain new customers.

In addition, existing laws, regulations, and policies could be amended or interpreted differently by regulators in a manner that imposes additional costs and has a negative impact on our existing operations or that limits our future growth or expansion. New regulations could require additional programming or other costly changes in our processes or personnel. Our customers are also regulated entities, and actions by regulatory authorities could influence both the decisions they make concerning the purchase of data processing and other services and the timing and implementation of these decisions. We will be required to apply substantial research and development and other corporate resources to adapt our products to this evolving, complex, and often unpredictable regulatory environment. Our failure to provide compliant solutions could result in significant fines or consumer liability on our customers, for which we may bear ultimate liability.

Compliance with new and existing privacy laws, regulations, and rules may adversely impact our expenses, development, and strategy. We are subject to complex laws, rules, and regulations related to data privacy and cybersecurity. If we fail to comply with such requirements, we could be subject to reputational harm, regulatory enforcement, and litigation. The use, confidentiality, and security of private customer information is under increased scrutiny. Regulatory agencies, Congress, and state legislatures are considering numerous regulatory and statutory proposals to protect the interests of consumers and to require compliance with standards and policies that have not been defined. This includes rules enacted by the New York Department of Financial Services that require covered financial institutions to have a cybersecurity program along with other compliance requirements and the California Consumer Privacy Act. The unique data protection regulations issued by multiple agencies have created a fragmented series of requirements that makes it increasingly complex to comply with all the mandates in an efficient manner and may increase costs to deliver affected products and services as those requirements are established.

Failure to comply or readily address compliance and regulatory rule changes made by payment card networks could adversely affect our business. We are subject to card association and network compliance rules governing the payment networks we serve, including Visa, MasterCard, Zelle, and The Clearing House's RTP network, and all rules governing the Payment Card Data Security Standards. If we fail to comply with these rules and standards, we could be fined or our certifications could be suspended or terminated, which could limit our ability to service our customers and result in reductions in revenues and increased costs of operations. Changes made by the networks, even when complied with, may result in reduction in revenues and increased costs of operations.

Economic Conditions Risks

A widespread public health crisis could adversely affect our results of operations. The widespread outbreak of a communicable illness or disease, such as the COVID-19 outbreak, or other public health crises, including government mandates in response to such events, can result in significant economic disruptions and uncertainties and could adversely affect our business, results of operation, and financial condition. The conditions caused by such events may affect the rate of spending by our customers and their ability to pay for our products and services, delay prospective customers' purchasing decisions, interfere with our employees' ability to support our business function, disrupt the ability of third-party providers we rely upon to deliver services, adversely impact our ability to provide on-site services or installations to our customers, or reduce the number of transactions we process, all of which could adversely affect our results of operation and financial position. We are unable to accurately predict the impact of such events on our business due to a number of uncertainties, including the duration, severity, geographic reach and governmental responses to such events, the impact on our customers' and vendors' operations, and our ability to provide products and services, including the impact of our employees working remotely. If we are not able to respond to and manage the impact of such events effectively, our business will be harmed.

Our business may be adversely impacted by general U.S. and global market and economic conditions or specific conditions in the financial services industry. We derive most of our revenue from products and services we provide to the financial services industry. If the general economic environment worsens, or if conditions or regulatory requirements within the financial services industry change, such as if financial institutions are required to increase reserve amounts, customers may be less willing or able to pay the cost of our products and services, and we could face a reduction in demand from current and potential clients for our products and services, which could have a material adverse effect on our business, results of operations, and financial condition. In addition, a growing portion of our revenue is derived from transaction processing fees, which depend heavily on levels of consumer and business spending. Deterioration in general economic conditions could negatively impact consumer confidence and spending, resulting in reduced transaction volumes and our related revenues.

Consolidation and failures of financial institutions will continue to reduce the number of our customers and potential customers. Our primary market consists of approximately 4,790 commercial and savings banks and more than 5,000 credit unions. The number of commercial banks and credit unions in the United States has experienced a steady decrease over recent decades due to mergers and acquisitions and financial failures and we expect this trend to continue as more consolidation occurs. Such events may reduce the number of our current and potential customers, which could negatively impact our results of operations.

Acquisition Risks

Our growth may be affected if we are unable to find or complete suitable acquisitions. We have augmented the growth of our business with a number of acquisitions and we plan to continue to acquire appropriate businesses, products, and services. This strategy depends on our ability to identify, negotiate and finance suitable acquisitions. Merger and acquisition activity in our industry has affected the availability and pricing of such acquisitions. If we are unable to acquire suitable acquisition candidates, we may experience slower growth.

Acquisitions subject us to risks and may be costly and difficult to integrate. On August 5, 2022, we entered into an Agreement and Plan of Merger to acquire 100% of the equity interests of Payrailz, LLC, which offers digital payment capabilities, including real-time person-to-person ("P2P") payments. The acquisition is anticipated to close on August 31, 2022, subject to the satisfaction of customary closing conditions. Acquisitions, including the Payrailz acquisition, are difficult to evaluate, and our due diligence may not identify all potential liabilities or valuation issues. We may also be subject to risks related to cybersecurity incidents or vulnerabilities of the acquired company and the acquired systems. We may not be able to successfully integrate Payrailz or any other acquired companies. We may encounter problems with the integration of new businesses, including: financial control and computer system compatibility; unanticipated costs and liabilities; unanticipated quality or customer problems with acquired products or services; differing regulatory and industry standards; diversion of management's attention; adverse effects on existing business relationships with suppliers and customers; loss of key employees; and significant depreciation and amortization expenses related to acquired assets. To finance the Payrailz acquisition or other future acquisitions, we may have to increase our borrowing or sell equity or debt securities to the public. If we fail to integrate our acquisitions, our business, financial condition, and results of operations could be materially and adversely affected. Failed acquisitions could also produce material and unpredictable impairment charges as we review our acquired assets.

Intellectual Property Risks

If others claim that we have infringed their intellectual property rights, we could be liable for significant damages or could be required to change our processes. We have agreed to indemnify many of our customers against claims that our products and services infringe on the proprietary rights of others. We also use certain open source software in our products, which may subject us to suits by persons claiming ownership of what we believe to be open source software. Infringement claims have been and will in the future be asserted with regard to our software solutions and services. Such claims, whether with or without merit, are time-consuming, may result in costly litigation and may not be resolved on terms favorable to us. If our defense of such claims is not successful, we could be forced to pay damages or could be subject to injunctions that would cause us to cease making or selling certain applications or force us to redesign applications.

Our failure to protect our intellectual property and proprietary rights may adversely affect our competitive position. Our success and ability to compete depend in part upon protecting our proprietary systems and technology. Unauthorized parties may attempt to copy or access systems or technology that we consider proprietary. We actively take steps to protect our intellectual property and proprietary rights, including entering into agreements with users of our services for that purpose and maintaining security measures. However, these steps may be inadequate to prevent misappropriation. Policing unauthorized use of our proprietary rights is difficult and misappropriation or litigation relating to such matters could have a material negative effect on our results of operation.

General Risk Factors

A material weakness in our internal controls could have a material adverse effect on us. Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to mitigate risk of fraud. If material weaknesses in our internal controls are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results, which could materially and adversely affect our business and results of operations or financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the weaknesses or deficiencies, subject us to fines, penalties or judgments, harm our reputation or otherwise cause a decline in investor confidence.

The loss of key employees and difficulties in hiring and retaining employees could adversely affect our business. We depend on the contributions and abilities of our senior management and other key employees. Our Company has grown significantly in recent years and our management remains concentrated in a small number of highly qualified individuals. If we lose one or more of our key employees, we could suffer a loss of managerial experience, and management resources would have to be diverted from other activities to compensate for this loss. We do not have employment agreements with any of our executive officers. Further, we are facing an increasingly competitive market for hiring and retaining skilled employees, which is exacerbated by the effects of the COVID-19 pandemic and increased acceptance of hiring remote working employees by our competitors and other companies. Difficulties in hiring and retaining skilled employees may restrict our ability to adequately support our business needs and/or result in increased personnel costs. There is no assurance that we will be able to attract and retain the personnel necessary to maintain the Company's strategic direction.

The impairment of a significant portion of our goodwill and intangible assets would adversely affect our results of operations. Our balance sheet includes goodwill and intangible assets that represent a significant portion of our total assets at June 30, 2022. On an annual basis, and whenever circumstances require, we review our goodwill and intangible assets for impairment. If the carrying value of a material asset is determined to be impaired, it will be written down to fair value by a charge to operating earnings. An impairment of a significant portion of our goodwill or intangible assets could have a material negative effect on our operating results.

An increase in interest rates could increase our borrowing costs. Although our debt borrowing levels have historically been low, we may require additional or increased borrowings in the future under existing or new debt facilities to support operations, finance acquisitions, or fund stock repurchases. Our current revolving credit facility bears interest at a variable rate. Increases in interest rates on variable-rate debt would increase our interest expense, which could negatively impact our results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own 154 acres located in Monett, Missouri on which we maintain eight office buildings, plus shipping and receiving, security, and maintenance buildings. We also own buildings in Allen, Texas; Albuquerque, New Mexico; Birmingham, Alabama; Lenexa, Kansas; Angola, Indiana; Shawnee Mission, Kansas; Oklahoma City, Oklahoma; Springfield, Missouri, and San Diego, California. Our owned facilities represent approximately 906,000 square feet of office space in eight states. We have 25 leased office facilities in 24 states, which total approximately 550,000 square feet. All of our owned and leased office facilities are for normal business purposes.

We own five aircraft. Many of our customers are located in communities that do not have an easily accessible commercial airline service. We primarily use our airplanes in connection with implementation, sales of systems and internal requirements for day-to-day operations. Transportation costs for implementation and other customer services are billed to our customers. We lease property, including real estate and related facilities, at the Monett, Missouri regional airport.

ITEM 3. LEGAL PROCEEDINGS

We are subject to various routine legal proceedings and claims arising in the ordinary course of our business. In the opinion of management, any liabilities resulting from current lawsuits are not expected, either individually or in the aggregate, to have a material adverse effect on our consolidated financial statements. In accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), we record a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These liabilities are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case or proceeding.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. 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**

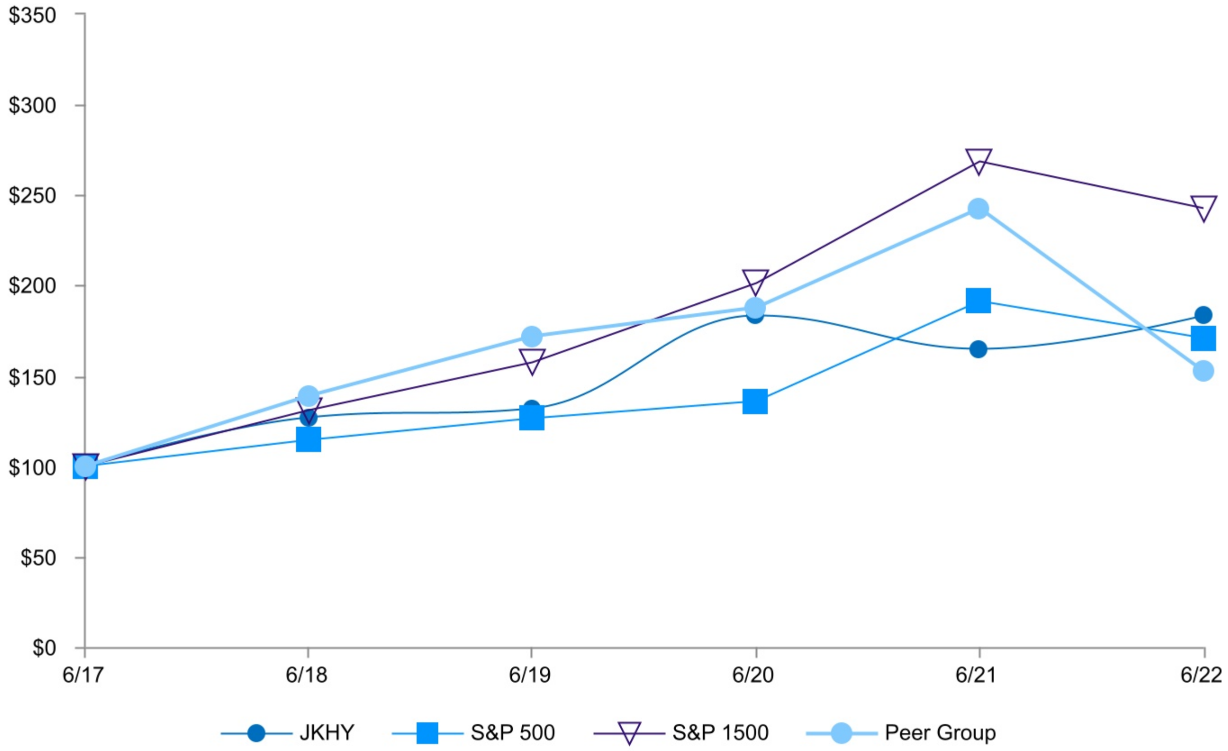
(1) Total stock repurchase authorizations approved by the Company's Board of Directors as of May 17, 2021 were for 35.0 million shares, which includes an authorization on that date of an additional 5.0 million shares. Under these authorizations, the Company has repurchased and not re-issued 31,042,903 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.

ITEM 6. [RESERVED]

ITEM 7. 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,		%
	2022	2021	Change
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,		%
	2022	2021	Change
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,		%
	2022	2021	Change
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,		%
	2022	2021	Change
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,		%
	2022	2021	Change
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.

ITEM 7A. 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.

ITEM 8. 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

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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

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

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

DESCRIPTION OF THE COMPANY

Jack Henry & Associates, Inc. and subsidiaries ("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
	Level 1	Level 2	Level 3	Value
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,	
Core	**2022**	2021
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 federal 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:

Monte Carlo award inputs:	Year Ended June 30, 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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out under the supervision and with the participation of our management, including our Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation (required in Exchange Act Rules 13a-15(b) and 15d-15(b)), the CEO and CFO concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. For this purpose, disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The Management's Report on Internal Control over Financial Reporting required by this Item 9A is in Item 8, "Financial Statements and Supplementary Data." The Company's independent registered public accounting firm has audited our internal control over financial reporting as of June 30, 2022; their report is included in Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2022, there were no changes in the Company's internal control over financial reporting which were identified in connection with management's evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

Information required by Items 10, 11, 12, 13 and 14 of Part III is omitted from this report and will be filed within 120 days after the Company's June 30, 2022, fiscal year end in the definitive proxy statement for our 2022 Annual Meeting of Stockholders (the “Proxy Statement”).

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

See the information under the captions “Election of Directors”, “Corporate Governance," “Delinquent Section 16(a) Reports" (if applicable), and “Executive Officers” in the Proxy Statement, which is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

See the information under captions “Corporate Governance," “Compensation Committee Report," “Compensation Discussion and Analysis," "Compensation and Risk," and “Executive Compensation” in the Proxy Statement, which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

See the information under the captions “Stock Ownership of Certain Stockholders” and “Equity Compensation Plan Information” in the Proxy Statement, which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

See the information under the captions “Election of Directors - Director Independence” and “Certain Relationships and Related Transactions” in the Proxy Statement, which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

See the information under the captions ”Audit Committee Report” and “Ratification of Selection of the Company's Independent Registered Public Accounting Firm," PricewaterhouseCoopers LLC (PCAOB ID No. 238), in the Proxy Statement, which is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Report:

(1) The following consolidated financial statements of the Company and its subsidiaries and the Report of Independent Registered Public Accounting Firm thereon appear under Item 8 of this Report:

- Reports of Independent Registered Public Accounting Firm
- Consolidated Statements of Income for the fiscal years ended June 30, 2022, 2021, and 2020
- Consolidated Balance Sheets as of June 30, 2022, and 2021
- Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended June 30, 2022, 2021, and 2020
- Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2022, 2021, and 2020
- Notes to the Consolidated Financial Statements

(2) The following financial statement schedules filed as part of this Report appear under Item 8 of this Report:

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

(3) See "Index to Exhibits" set forth below.

All exhibits not attached hereto are incorporated by reference to a prior filing as indicated.

Index to Exhibits

Exhibit No. Description

3.1.8 Restated Certificate of Incorporation attached as Exhibit 3.1.8 to the Company's Quarterly Report on Form 10-Q filed February 9, 2021.

3.2.8 Restated and Amended Bylaws attached as Exhibit 3.2.8 to the Company's Current Report on Form 8-K filed August 26, 2021.

4.1** Description of Securities

10.49* Jack Henry & Associates, Inc. Deferred Compensation Plan attached as Exhibit 10.49 to the Company's Quarterly Report on Form 10-Q filed November 5, 2014.

10.50* Jack Henry & Associates, Inc. Non-Employee Directors Deferred Compensation Plan attached as Exhibit 10.50 to the Company's Quarterly Report on Form 10-Q filed November 5, 2014.

10.56* Jack Henry & Associates, Inc. 2015 Equity Incentive Plan attached as Exhibit 10.56 to the Company's Current Report on Form 8-K filed November 16, 2015.

10.57* Form of Restricted Stock Unit Agreement (non-employee directors) attached as Exhibit 10.57 to the Company's Quarterly Report on Form 10-Q filed February 5, 2016.

10.58* Form of Nonqualified Stock Option Agreement (executives) attached as Exhibit 10.58 to the Company's Current Report on Form 8-K filed July 1, 2016.

10.59* Form of Restricted Stock Agreement (executives) attached as Exhibit 10.59 to the Company's Current Report on Form 8-K filed July 1, 2016.

10.61* Jack Henry & Associates, Inc. 2006 Employee Stock Purchase Plan, as amended and restated effective November 10, 2016, attached as Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed November 16, 2016.

10.62* Form of Performance Shares Agreement attached as Exhibit 10.62 to the Company's Annual Report on From 10-K filed August 25, 2017.

10.63* Jack Henry & Associates, Inc. 2017 Annual Incentive Plan, effective September 1, 2017 and approved by the stockholders on November 9, 2017, attached as Exhibit 10.63 to the Company's Current Report on Form 8-K filed November 13, 2017.

10.64* Retention Agreement, dated January 1, 2020, between the Company and David Foss attached as Exhibit 10.64 to the Company's Current Report on Form 8-K filed January 3, 2020.

10.65* Form of Restricted Stock Unit Agreement attached as Exhibit 10.65 to the Company's Current Report on Form 8-K filed January 3, 2020.

10.66 Credit Agreement, dated as of February 10, 2020 among Jack Henry & Associates, Inc., as Borrower, the lenders parties thereto, U.S. Bank National Association, as Administrative Agent, LC Issuer and Swing Line Lender, and certain other financial institutions as co-syndication agents and joint lead arrangers and joint book runners attached as Exhibit 10.66 to the Company's Current Report on Form 8-K filed February 11, 2020.

10.67 Aircraft Time Sharing Agreement, dated as of November 10, 2020 between the Company and David Foss attached as Exhibit 10.67 to the Company's Quarterly Report on Form 10-Q filed February 9, 2021.

10.68* Form of Restricted Stock Unit Agreement attached as Exhibit 10.68 to the Company's Annual Report on Form 10-K filed August 25, 2021.

10.69* Form of Performance Shares Agreement attached as Exhibit 10.69 to the Company's Annual Report on Form 10-K filed August 25, 2021.

10.70* Form of Restricted Stock Unit Agreement attached as Exhibit 10.70 to the Company's Annual Report on Form 10-K filed August 25, 2021.

10.71* Form of Indemnification Agreement attached as Exhibit 10.71 to the Company's Current Report on Form 8-K filed February 17, 2022.

10.72* Jack Henry & Associates, Inc. Executive Severance Plan attached as Exhibit 10.72 to the Company's Current Report on Form 8-K filed July 29, 2022.

21.1** List of the Company's subsidiaries.

23.1** Consent of Independent Registered Public Accounting Firm- PricewaterhouseCoopers LLP.

31.1** Certification of the Chief Executive Officer.

31.2** Certification of the Chief Financial Officer.

32.1*** Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.

32.2*** Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

101.INS**** XBRL Instance Document

101.SCH**** XBRL Taxonomy Extension Schema Document

101.CAL**** XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF**** XBRL Taxonomy Extension Definition Linkbase Document

101.LAB**** XBRL Taxonomy Extension Label Linkbase Document

101.PRE**** XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates management contract or compensatory plan or arrangement.

** Filed with this report on Form 10-K

*** Furnished with this report on Form 10-K.

**** Filed with this report on Form 10-K are the following documents formatted in XBRL ("Extensible Business Reporting Language"): (i) the Consolidated Balance Sheets at June 30, 2022, and June 30, 2021, (ii) the Consolidated Statements of Income for the years ended June 30, 2022, 2021, and 2020, (iii) the Consolidated Statements of Shareholders' Equity for the years ended June 30, 2022, 2021, and 2020, (iv) the Consolidated Statements of Cash Flows for the years ended June 30, 2022, 2021, and 2020, and (v) Notes to Consolidated Financial Statements.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 25th day of August, 2022.

JACK HENRY & ASSOCIATES, INC., Registrant

By /s/ David B. Foss
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Capacity	Date
/s/ David B. Foss David B. Foss	Chief Executive Officer and Board Chair (Principal Executive Officer)	August 25, 2022
/s/ Kevin D. Williams Kevin D. Williams	Chief Financial Officer and Treasurer (Principal Financial Officer)	August 25, 2022
/s/ Renee A. Swearingen Renee A. Swearingen	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	August 25, 2022
/s/ Matthew C. Flanigan Matthew C. Flanigan	Vice Chair and Lead Director	August 25, 2022
/s/ Thomas H. Wilson, Jr Thomas H. Wilson, Jr	Director	August 25, 2022
/s/ Jacqueline R. Fiegel Jacqueline R. Fiegel	Director	August 25, 2022
/s/ Thomas A. Wimsett Thomas A. Wimsett	Director	August 25, 2022
/s/ Laura G. Kelly Laura G. Kelly	Director	August 25, 2022
/s/ Shruti S. Miyashiro Shruti S. Miyashiro	Director	August 25, 2022
/s/ Wesley A. Brown Wesley A. Brown	Director	August 25, 2022
/s/ Curtis A. Campbell Curtis A. Campbell	Director	August 25, 2022

EXHIBIT 4.1

DESCRIPTION OF SECURITIES

The following is a brief description of the common stock of Jack Henry & Associates, Inc. (the "Company") common stock which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended and is based on and qualified by the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation") and Restated and Amended Bylaws ("Bylaws"). For a complete description of the terms and provisions of the Company's common stock, refer to the Certificate of Incorporation and Bylaws, both of which are filed as Exhibits to this Annual Report on Form 10-K.

GENERAL

Under the Company's Certificate of Incorporation, our authorized capital stock consists of 250,000,000 shares of common stock, par value $0.01 per share, and 500,000 shares of preferred stock, par value $1.00 per share. As of August 15, 2022, an aggregate of 72,902,797 shares of common stock and no shares of preferred stock were issued and outstanding.

COMMON STOCK

Voting Rights

The holders of our common stock are entitled to one vote per share on any matter to be voted upon by stockholders. The holders of common stock are not entitled to cumulative voting rights with respect to the election of directors, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election.

Dividends

Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors ("Board of Directors") out of legally available funds.

Liquidation

In the event of a liquidation or dissolution of the Company, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any outstanding preferred stock.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, conversion or other rights to subscribe for additional securities and there are no redemption or sinking fund provisions applicable to our common stock.

Fully Paid and Non-assessable

All of the outstanding shares of common stock are fully paid and non-assessable.

ANTI-TAKEOVER EFFECTS OF OUR CERTIFICATE OF INCORPORATION AND BYLAWS AND PROVISIONS OF DELAWARE LAW

Provisions of our Certificate of Incorporation and Bylaws and Delaware law may make it more difficult for a third party to acquire, or may discourage a third party from attempting to acquire, control of us. These provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions include the following.

Blank Check Preferred Stock

Our Board of Directors is authorized to designate any series of preferred stock and the powers, preferences and rights of the shares of such series and the qualifications, limitations or restrictions thereof without further action by the holders of common stock.
Our Board of Directors may create and issue a series of preferred stock with rights, privileges or restrictions, and adopt a stockholder rights plan, having the effect of discriminating against an existing or prospective holder of such securities as a result of such security holder beneficially owning or commencing a tender offer for a substantial amount of common stock. The issuance of preferred stock, while providing flexibility in connection with possible financings, acquisitions or other corporate purposes, could have the effect of making it more difficult or discouraging an attempt by a potential acquiror to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management. The issuance of such shares of capital stock may have the effect of delaying, deferring or preventing a change in control without any further action by the stockholders.

Size of Board

Our Certificate of Incorporation and Bylaws provide that the number of directors shall be eight, or such other number (one or more), as fixed from time to time by resolution of the Board of Directors.

Director Vacancies

Our Bylaws provide that any vacancies on our Board of Directors and newly created directorships will be filled by the affirmative vote of a majority of the remaining directors, although less than a quorum.

Advance Notice for Stockholder Proposals and Nominations

Our Bylaws contain provisions requiring advance notice be delivered to the Company and procedures to be followed by stockholders in proposing business to be considered by the stockholders at an annual meeting or nominating persons for election to our Board of Directors, including stockholder nominees to be included in our proxy statement. To propose business to be considered by the stockholders at an annual meeting, a stockholder must submit to the secretary of the Company at the principal executive offices of the Company all of the information and documents required by the Bylaws not less than 90 days prior to the first anniversary of the preceding year's annual meeting. To nominate a nominee for election to the Board of Directors, a nominating stockholder must submit to the secretary of the Company at the principal executive offices of the Company all of the information and documents required by the Bylaws not less than 90 days prior to the first anniversary of the preceding year's annual meeting (or in the case of a special meeting, not later than the close of business on the later of the 75th day prior to such special meeting or the 10th day following the date on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting). To nominate a nominee for election to Board of Directors for inclusion in the proxy statement, a nominating stockholder must submit to the secretary of the Company at the principal executive offices of the Company all of the information and documents specified in the Bylaws no earlier than 150 calendar days, and no later than 120 calendar days, before the anniversary of the date that the Company mailed its proxy statement for the prior year’s annual meeting of stockholders.

No Cumulative Voting

Our Bylaws do not provide for cumulative voting for our directors. The absence of cumulative voting may make it more difficult for stockholders owning less than a majority of our common stock to elect any directors to our Board.

Limitations on Liability of Directors; Indemnification of Directors and Officers

Our Certificate of Incorporation limits, to the fullest extent permitted by Delaware law, the liability of our directors to us or our stockholders. Subject to certain limitations, our Certificate of Incorporation provides that our directors, officers and other persons must be indemnified for, and provides for the advancement to them of expenses incurred in connection with, actual or threatened proceedings and claims arising out of their status as our director or officer to the fullest extent permitted by Delaware law. In addition, the Certificate of Incorporation expressly authorizes us to purchase and maintain directors' and officers' insurance providing indemnification for our directors, officers, employees or agents. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors, officers, employees and other agents.

The limitation of liability and indemnification provisions in our Certificate of Incorporation may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors, officers, employees and other agents, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors, officers, employees, and other agents pursuant to these indemnification provisions.

Super-majority voting requirements

Our Certificate of Incorporation requires a two-thirds vote of the stockholders to approve certain amendments to our Certificate of Incorporation. Our Bylaws may also be amended, altered or repealed at any special meeting of the stockholders if duly called for that purpose or at any annual meeting, by the affirmative vote of the holders of at least two-thirds of the Company's stock entitled to vote thereon.

Limitations on Calling Special Meetings and Action by Written Consent

Our Certificate of Incorporation prevents stockholder action by written consent in lieu of an annual or special meeting and our Bylaws require special meetings of the stockholders to be called by the Chair of the Board, the President, the Board of Directors as a whole, or two-thirds of the stockholders.

Limitations on Business Combinations with Interested Stockholders

We are also subject to Section 203 of the Delaware General Corporation Law which, subject to exceptions, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that a stockholder became an interested stockholder, unless:

- prior to that date, the Board of Directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; or
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock outstanding at the time the transaction commenced; or
- on or following that date the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A. is the transfer agent and registrar for our common stock.

LISTING

Our common stock is traded on the NASDAQ Global Select Market under the symbol “JKHY.”

EXHIBIT 21.1

Jack Henry & Associates, Inc. Subsidiaries

Name	**State/Country of Incorporation**
Goldleaf Insurance, LLC	Tennessee
JHA Payment Solutions, Inc.	Washington
Towne Services, Inc.	Georgia
iPay Technologies, LLC	Kentucky
Profitstars, LLC	Missouri
JHA Money Center, Inc.	Missouri

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-63912, 333-130078, 333-130079, 333-138891, 333-208234, 333-214631 and 333-220169) of Jack Henry & Associates, Inc. of our report dated August 25, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Kansas City, Missouri
August 25, 2022

EXHIBIT 31.1

CERTIFICATION

I, David B. Foss, certify that:

1. I have reviewed this annual report on Form 10-K of Jack Henry & Associates, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter, (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 25, 2022

/s/ David B. Foss
David B. Foss
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Kevin D. Williams, certify that:

1. I have reviewed this annual report on Form 10-K of Jack Henry & Associates, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter, (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 25, 2022

/s/ Kevin D. Williams
Kevin D. Williams
Chief Financial Officer

EXHIBIT 32.1

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Executive Officer of Jack Henry & Associates, Inc. (the "Company"), hereby certify that, to my knowledge, the Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 25, 2022

*/s/ David B. Foss
David B. Foss
Chief Executive Officer

*A signed original of this written statement required by Section 906 has been provided to Jack Henry & Associates, Inc. and will be retained by Jack Henry & Associates, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Financial Officer of Jack Henry & Associates, Inc. (the "Company"), hereby certify that, to my knowledge, the Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 25, 2022

*/s/ Kevin D. Williams
Kevin D. Williams
Chief Financial Officer

*A signed original of this written statement required by Section 906 has been provided to Jack Henry & Associates, Inc. and will be retained by Jack Henry & Associates, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.