UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended December 31, 2020

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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes ☐ No ☒

As of January 29, 2021, the Registrant had 76,077,269 shares of Common Stock outstanding ($0.01 par value).

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In this report, all references to "Jack Henry," "JKHY," the "Company," "we," "us," and "our," refer to Jack Henry & Associates, Inc., and its wholly owned subsidiaries.

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 Quarterly Report on Form 10-Q, those discussed in our Annual Report on Form 10-K for the year ended June 30, 2020, in particular, those included in Item 1A, "Risk Factors" of such report, and those discussed in other documents we file with the Securities and Exchange Commission ("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. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Data)
(Unaudited)

	December 31, 2020	June 30, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ **147,762**	$ 213,345
Receivables, net	**212,934**	300,945
Income tax receivable	**8,662**	21,051
Prepaid expenses and other	**98,540**	95,525
Deferred costs	**50,586**	38,235
Total current assets	**518,484**	669,101
PROPERTY AND EQUIPMENT, net	**257,883**	273,432
OTHER ASSETS:		
Non-current deferred costs	**122,016**	113,525
Computer software, net of amortization	**351,327**	340,466
Other non-current assets	**233,865**	220,591
Customer relationships, net of amortization	**88,295**	95,108
Other intangible assets, net of amortization	**28,866**	29,917
Goodwill	**685,973**	686,334
Total other assets	**1,510,342**	1,485,941
Total assets	$ **2,286,709**	$ 2,428,474
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ **11,569**	$ 9,880
Accrued expenses	**145,878**	166,689
Notes payable and current maturities of long-term debt	**117**	115
Deferred revenues	**193,409**	318,161
Total current liabilities	**350,973**	494,845
LONG-TERM LIABILITIES:		
Non-current deferred revenues	**69,474**	71,461
Deferred income tax liability	**252,649**	243,998
Debt, net of current maturities	**149**	208
Other long-term liabilities	**68,285**	68,274
Total long-term liabilities	**390,557**	383,941
Total liabilities	**741,530**	878,786
STOCKHOLDERS' EQUITY		
Preferred stock - $1 par value; 500,000 shares authorized, none issued	**—**	—
Common stock - $0.01 par value; 250,000,000 shares authorized; 103,736,703 shares issued at December 31, 2020; 103,622,563 shares issued at June 30, 2020	**1,037**	1,036
Additional paid-in capital	**503,205**	495,005
Retained earnings	**2,332,509**	2,235,320
Less treasury stock at cost 27,667,903 shares at December 31, 2020; 26,992,903 shares at June 30, 2020	**(1,291,572)**	(1,181,673)
Total stockholders' equity	**1,545,179**	1,549,688
Total liabilities and equity	$ **2,286,709**	$ 2,428,474

See notes to condensed consolidated financial statements

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	**2020**	2019
REVENUE	**$ 422,361**	$ 419,119	**$ 874,161**	$ 857,124
EXPENSES				
Cost of Revenue	**257,782**	249,267	**520,711**	495,058
Research and Development	**26,780**	27,187	**52,837**	51,778
Selling, General, and Administrative	**44,167**	48,961	**89,393**	98,396
Total Expenses	**328,729**	325,415	**662,941**	645,232
OPERATING INCOME	**93,632**	93,704	**211,220**	211,892
INTEREST INCOME (EXPENSE)				
Interest Income	**52**	346	**120**	853
Interest Expense	**(117)**	(156)	**(235)**	(312)
Total Interest Income (Expense)	**(65)**	190	**(115)**	541
INCOME BEFORE INCOME TAXES	**93,567**	93,894	**211,105**	212,433
PROVISION FOR INCOME TAXES	**21,585**	21,796	**47,907**	50,965
NET INCOME	**$ 71,982**	$ 72,098	**$ 163,198**	$ 161,468
Basic earnings per share	**$ 0.94**	$ 0.94	**$ 2.14**	$ 2.10
Basic weighted average shares outstanding	**76,202**	76,879	**76,354**	76,926
Diluted earnings per share	**$ 0.94**	$ 0.94	**$ 2.13**	$ 2.10
Diluted weighted average shares outstanding	**76,280**	76,935	**76,496**	77,001

See notes to condensed consolidated financial statements

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousands, Except Share and Per Share Data)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	**2020**	2019
PREFERRED SHARES:	**—**	—	—	—
COMMON SHARES:				
Shares, beginning of period	**103,696,962**	103,535,828	**103,622,563**	103,496,026
Shares issued for equity-based payment arrangements	**23,412**	18,594	**78,414**	38,482
Shares issued for Employee Stock Purchase Plan	**16,329**	17,707	**35,726**	37,621
Shares, end of period	**103,736,703**	103,572,129	**103,736,703**	103,572,129
COMMON STOCK - PAR VALUE $0.01 PER SHARE:				
Balance, beginning of period	**$ 1,037**	$ 1,035	**$ 1,036**	$ 1,035
Shares issued for equity-based payment arrangements	**—**	1	**1**	1
Balance, end of period	**$ 1,037**	$ 1,036	**$ 1,037**	$ 1,036
ADDITIONAL PAID-IN CAPITAL:				
Balance, beginning of period	**$ 497,030**	$ 475,222	**$ 495,005**	$ 472,030
Shares issued for equity-based payment arrangements	**—**	—	**(1)**	(1)
Tax withholding related to share based compensation	**(1,184)**	(553)	**(6,689)**	(2,625)
Shares issued for Employee Stock Purchase Plan	**2,232**	2,191	**5,138**	4,603
Stock-based compensation expense	**5,127**	4,145	**9,752**	6,998
Balance, end of period	**$ 503,205**	$ 481,005	**$ 503,205**	$ 481,005
RETAINED EARNINGS:				
Balance, beginning of period	**$ 2,293,229**	$ 2,124,672	**$ 2,235,320**	$ 2,066,073
Cumulative effect of Accounting Standards Update adoption (Note 2)	**—**	—	**(493)**	—
Net income	**71,982**	72,098	**163,198**	161,468
Dividends	**(32,702)**	(30,731)	**(65,516)**	(61,502)
Balance, end of period	**$ 2,332,509**	$ 2,166,039	**$ 2,332,509**	$ 2,166,039
TREASURY STOCK:				
Balance, beginning of period	**$ (1,247,546)**	$ (1,124,269)	**$ (1,181,673)**	$ (1,110,124)
Purchase of treasury shares	**(44,026)**	(37,065)	**(109,899)**	(51,210)
Balance, end of period	**$ (1,291,572)**	$ (1,161,334)	**$ (1,291,572)**	$ (1,161,334)
TOTAL STOCKHOLDERS' EQUITY	**$ 1,545,179**	$ 1,486,746	**$ 1,545,179**	$ 1,486,746
Dividends declared per share	**$ 0.43**	$ 0.40	**$ 0.86**	$ 0.80

See notes to condensed consolidated financial statements.

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

	Six Months Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	**$ 163,198**	$ 161,468
Adjustments to reconcile net income from operations to net cash from operating activities:		
Depreciation	**26,652**	25,364
Amortization	**61,164**	58,873
Change in deferred income taxes	**8,651**	4,134
Expense for stock-based compensation	**9,752**	6,998
(Gain)/loss on disposal of assets	**(2,019)**	(103)
Changes in operating assets and liabilities:		
Change in receivables	**87,518**	106,782
Change in prepaid expenses, deferred costs and other	**(26,109)**	(21,911)
Change in accounts payable	**16**	(262)
Change in accrued expenses	**(22,627)**	(28,702)
Change in income taxes	**13,922**	19,861
Change in deferred revenues	**(126,134)**	(117,489)
Net cash from operating activities	**193,984**	215,013
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for acquisitions, net of cash acquired	**—**	(30,376)
Capital expenditures	**(9,543)**	(30,758)
Proceeds from dispositions	**6,157**	326
Purchased software	**(4,254)**	(5,551)
Computer software developed	**(62,804)**	(57,886)
Purchase of investments	**(12,100)**	(1,150)
Net cash from investing activities	**(82,544)**	(125,395)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on financing leases	**(57)**	—
Purchase of treasury stock	**(109,899)**	(51,210)
Dividends paid	**(65,516)**	(61,502)
Tax withholding payments related to share based compensation	**(6,689)**	(2,624)
Proceeds from sale of common stock	**5,138**	4,603
Net cash from financing activities	**(177,023)**	(110,733)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**$ (65,583)**	$ (21,115)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**$ 213,345**	$ 93,628
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 147,762**	$ 72,513

See notes to condensed consolidated financial statements

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

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 provider of integrated computer systems and services. 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 together with computer equipment (hardware), by providing the conversion and implementation services for financial institutions to utilize JKHY systems, and by providing other related services. JKHY also provides continuing support and services to customers using on-premise or JKHY cloud-based systems.

Consolidation

The condensed 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.

Comprehensive Income

Comprehensive income for the three and six months ended December 31, 2020 and 2019 equals the Company’s net income.

Change in Accounting Policy

The Company adopted FASB Accounting Standards Codification ("ASC") Topic 326, Financial Instruments - Credit Losses, ("CECL") with an adoption date of July 1, 2020 (see Note 2). 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.

Allowance for Credit Losses

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 fiscal quarter and year-to-date period ended December 31, 2020:

	Three Months Ended December 31, 2020	Six Months Ended December 31, 2020
Allowance for credit losses - beginning balance	$ 6,731	$ 6,719
Cumulative effect of accounting standards update adoption	—	493
Current provision for expected credit losses	370	910
Write-offs charged against allowance	(263)	(1,286)
Recoveries of amounts previously written off	(1)	(4)
Other	(7)	(2)
Allowance for credit losses - ending balance	**$ 6,830**	**$ 6,830**

While the novel coronavirus ("COVID-19") pandemic did not result in a significant increase in the Company’s expected credit loss allowance recorded as of December 31, 2020, the Company believes it is reasonably possible that future developments related to the economic impact of the COVID-19 pandemic could have a material impact on management’s estimates (see Use of Estimates below).

Property and Equipment

Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Accumulated depreciation at December 31, 2020 totaled $415,044 and at June 30, 2020 totaled $404,388.

Intangible 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 intangible assets with an indefinite life (such as goodwill), over an estimated economic benefit period, generally three to twenty years. Accumulated amortization of intangible assets totaled $858,921 and $812,856 at December 31, 2020 and June 30, 2020, respectively.

Purchase of Investments

At June 30, 2020, the Company had an investment in the preferred stock of Automated Bookkeeping, Inc ("Autobooks") of $6,000. During the second quarter of fiscal 2021, the Company made an additional investment in Autobooks for a total investment at December 31, 2020 of $13,250, which represented a non-controlling share of the voting equity as of that date. The total investment was recorded at cost and is included within other non-current assets on the Company's balance sheet. 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.

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 borrowings on its existing line-of-credit. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At December 31, 2020, there were 27,668 shares in treasury stock and the Company had the remaining authority to repurchase up to 2,323 additional shares. The total cost of treasury shares at December 31, 2020 was $1,291,572. During the first six months of fiscal 2021, the Company repurchased 675 shares for the treasury. At June 30, 2020, there were 26,993 shares in treasury stock and the Company had authority to repurchase up to 2,998 additional shares. The total cost of treasury shares at June 30, 2020 was $1,181,673.

Income Taxes

Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax basis 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 expenses are recognized on the full amount of deferred benefits for uncertain tax positions. The Company's policy is to include interest and penalties related to unrecognized tax benefits in income tax expense.

Interim Financial Statements

The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission ("SEC") and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to interim condensed consolidated financial statements, and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete consolidated financial statements. The condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and accompanying notes, which are included in its Annual Report on Form 10-K (“Form 10-K”) for the fiscal year ended June 30, 2020. The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements included in its Form 10-K for the fiscal year ended June 30, 2020, with updates to certain policies included in this Note 1.

In the opinion of the management of the Company, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary (consisting of normal recurring adjustments) to state fairly in all material respects the financial position of the Company as of December 31, 2020, the results of its operations for the three and six months ended December 31, 2020 and 2019, changes in stockholders' equity for the three and six months ended December 31, 2020 and 2019, and its cash flows for the six months ended December 31, 2020 and 2019. The condensed consolidated balance sheet at June 30, 2020 was derived from audited annual financial statements, but does not contain all of the footnote disclosures from the annual financial statements.

The results of operations for the three and six months ended December 31, 2020 are not necessarily indicative of the results to be expected for the entire year.

Use of Estimates

The extent to which the COVID-19 pandemic will directly or indirectly impact our business and financial results, including revenue, expenses, cost of revenues, research and development, and selling, general and administrative expenses, will depend on future developments that are highly uncertain, such as new information that may emerge concerning COVID-19 and the actions taken to contain or treat COVID-19 (including the efficacy and distribution of any vaccines), as well as the economic impact on local, regional, national and international customers and markets. The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company and the unknown future impacts of COVID-19 as of December 31, 2020 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 as of and for the quarter ended December 31, 2020, the Company's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to the Company's consolidated financial statements in future reporting periods.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Guidance

In January 2017, the FASB issued Accounting Standard Update ("ASU") No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company adopted ASU No. 2017-04 on July 1, 2020 and the adoption did not have a material impact on its condensed consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326), or CECL, which prescribes an impairment model for most financial instruments based on expected losses rather than incurred losses. Under this model, an estimate of expected credit losses over the contractual life of the instrument is to be recorded as of the end of a reporting period as an allowance to offset the amortized cost basis, resulting in a net presentation of the amount expected to be collected on the financial instrument. For most instruments, entities must apply the standard using a cumulative-effect adjustment to beginning retained earnings as of the beginning of the fiscal year of adoption.

The Company adopted CECL effective July 1, 2020 using the required modified retrospective approach, which resulted in a cumulative-effect decrease to beginning retained earnings of $493. Financial assets and liabilities held by the Company subject to the "expected credit loss" model prescribed by CECL include trade and other receivables as well as contract assets (see Note 1).

Not Yet Adopted

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 will be effective for the Company on July 1, 2021. Early adoption of the amendments is permitted, including adoption in any interim period for public business entities for periods for which financial statements have not yet been issued. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. The Company plans to adopt ASU 2019-12 effective July 1, 2021 and does not expect the adoption to have a material impact on its consolidated financial statements.

NOTE 3. 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.

Disaggregation of Revenue

The tables below present the Company's revenue disaggregated by type of revenue. Refer to Note 11, 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.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	**2020**	2019
Outsourcing & Cloud	$ 124,498	$ 115,897	$ 245,456	$ 224,480
Product Delivery & Services	48,414	61,709	105,312	133,070
In-House Support	77,961	77,598	181,102	176,462
Services & Support	**250,873**	255,204	**531,870**	534,012
Processing	**171,488**	163,915	**342,291**	323,112
Total Revenue	**$ 422,361**	$ 419,119	**$ 874,161**	$ 857,124

Contract Balances

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

	December 31, 2020	June 30, 2020
Receivables, net	**$ 212,934**	$ 300,945
Contract Assets- Current	**19,274**	21,609
Contract Assets- Non-current	**52,430**	54,293
Contract Liabilities (Deferred Revenue)- Current	**193,409**	318,161
Contract Liabilities (Deferred Revenue)- Non-current	**69,474**	71,461

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 condensed 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.

During the three months ended December 31, 2020 and 2019, the Company recognized revenue of $79,421 and $84,613, respectively, that was included in the corresponding deferred revenue balance at the beginning of the periods. For the six months ended December 31, 2020 and 2019, the Company recognized revenue of $156,666 and $155,625, 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 December 31, 2020, 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 $4,139,497. The Company expects to recognize approximately 27% 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 $296,757 and $271,010, at December 31, 2020 and June 30, 2020, respectively.

For the three months ended December 31, 2020 and 2019, amortization of deferred contract costs was $28,795 and $27,821, respectively. During the six months ended December 31, 2020 and 2019, amortization of deferred contract costs totaled $62,620 and $59,214, respectively. There were no impairment losses in relation to capitalized costs for the periods presented.

NOTE 4. 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
December 31, 2020				
Financial Assets:				
Certificate of Deposit	**$ —**	**$ 5,000**	**$ —**	**$ 5,000**
June 30, 2020				
Financial Assets:				
Certificate of Deposit	$ —	$ —	$ —	**$ —**

NOTE 5. LEASES

The Company determines if an arrangement is 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. 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. 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. 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. The determination of the incremental borrowing rate requires judgment and is determined by 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 leases certain office space, data centers and equipment with remaining terms of 1 to 13 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. Variable lease costs are recognized as a variable lease expense when incurred.

At December 31, 2020 and June 30, 2020, the Company had operating lease assets of $62,021 and $63,948 and financing lease assets of $260 and $318, respectively. At December 31, 2020, total operating lease liabilities of $66,765 were comprised of current operating lease liabilities of $11,690 and noncurrent operating lease liabilities of $55,075, and total financing lease liabilities of $266 were comprised of current financing lease liabilities of $117 and noncurrent financing lease liabilities of $149. At June 30, 2020, total operating lease liabilities of $68,309 were comprised of current operating lease liabilities of $11,712 and noncurrent operating lease liabilities of $56,597, and total financing lease liabilities of $323 were comprised of current financing lease liabilities of $115 and noncurrent financing lease liabilities of $208.

Operating lease assets are included within other non-current assets and operating lease liabilities are included within accrued expenses (current portion) and other long-term liabilities (noncurrent portion) in the Company’s condensed consolidated balance sheet. Operating lease assets were recorded net of accumulated amortization of $18,807 and $13,719 as of December 31, 2020 and June 30, 2020, 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 condensed consolidated balance sheet. Financing lease assets were recorded net of accumulated amortization of $96 and $38 as of December 31, 2020 and June 30, 2020, respectively.

Operating lease costs for the three months ended December 31, 2020 and 2019 were $3,766 and $4,024, respectively. Operating lease costs for the six months ended December 31, 2020 and 2019 were $7,675 and $8,031, respectively. Financing lease costs for the three and six months ended December 31, 2020 and 2019 were $30 and $0, respectively. Total operating and financing lease costs for the respective quarters included variable lease costs of approximately $809 and $780. Total operating and financing lease costs for the respective year-to-date periods included variable lease costs of approximately $2,189 and $1,659. Operating and financing lease expense are included within cost of services, research and development, and selling, general & administrative expense, dependent upon the nature and use of the ROU asset, in the Company’s condensed consolidated statement of income.

For the six months ended December 31, 2020 and 2019, the Company had operating cash flows for payments on operating leases of $6,872 and $7,803, and right-of-use assets obtained in exchange for operating lease liabilities of $4,485 and $1,370, respectively. Operating cash flows for interest paid on financing leases for the six months ended December 31, 2020 and 2019 were $4 and $0, respectively.

As of December 31, 2020 and June 30, 2020, the weighted-average remaining lease term for the Company's operating leases was 84 months and 88 months and the weighted-average discount rate was 2.66% and 2.76%, respectively. As of December 31, 2020 and June 30, 2020 the weighted-average remaining lease term for the Company's financing leases was 27 months and 33 months, respectively. The weighted-average discount rate for the Company's financing leases was 2.42% as of December 31, 2020 and June 30, 2020.

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 December 31, 2020*:

Due Dates (fiscal year)		Future Minimum Rental Payments
2021 (remaining period)	$	6,569
2022		13,233
2023		11,772
2024		9,640
2025		6,899
Thereafter		25,164
Total lease payments	$	73,277
Less: interest		(6,512)
Present value of lease liabilities	$	66,765

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

Lease payments include $5,464 related to options to extend lease terms that are reasonably certain of being exercised. At December 31, 2020, there were no legally binding lease payments for leases signed but not yet commenced.

NOTE 6. DEBT

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 ("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 December 31, 2020, the Company was in compliance with all such covenants. The revolving credit facility terminates February 10, 2025. There was no outstanding balance under the credit facility at December 31, 2020 or June 30, 2020.

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 expires on April 30, 2021. There was no balance outstanding at December 31, 2020 or June 30, 2020.

Interest

The Company paid interest of $105 and $193 during the six months ended December 31, 2020 and 2019, respectively.

NOTE 7. INCOME TAXES

The effective tax rate was 23.1% and 23.2% of income before income taxes for the three months ended December 31, 2020 and 2019, respectively. For the six months ended December 31, 2020 and 2019, the effective tax rate was 22.7% and 24.0%, respectively. The decrease in the Company's fiscal year-to-date tax rate was primarily due to the difference in impact of share-based compensation that vested during each of the periods.

The Company paid income taxes, net of refunds, of $24,794 and $26,262 in the six months ended December 31, 2020 and 2019, respectively.

At December 31, 2020, the Company had $11,314 of gross unrecognized tax benefits, $10,496 of which, if recognized, would affect our effective tax rate. The Company had accrued interest and penalties of $1,896 and $1,883 related to uncertain tax positions at December 31, 2020 and 2019, respectively.

The U.S. federal and state income tax returns for fiscal 2017 and all subsequent years remain subject to examination as of December 31, 2020 under statute of limitations rules. We anticipate potential changes due to lapsing statutes of limitations and examination closures could reduce the unrecognized tax benefits balance by $3,500 to $4,500 within twelve months of December 31, 2020.

NOTE 8. STOCK-BASED COMPENSATION

Our operating income for the three months ended December 31, 2020 and 2019 included $5,127 and $4,145 of stock-based compensation costs, respectively. Our operating income for the six months ended December 31, 2020 and 2019 included $9,752 and $6,998 of stock-based compensation costs, respectively.

Stock Options

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 are determined by the Compensation Committee of the Board of Directors when granted. The option period must expire not more than ten years from the option grant date. The options granted under this plan are exercisable beginning three years after the grant date 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 ten years after grant.

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

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding July 1, 2020	22	$ 87.27	
Granted	—	—	
Forfeited	—	—	
Exercised	—	—	
Outstanding December 31, 2020	**22**	**$ 87.27**	**$ 1,620**
Vested and Expected to Vest December 31, 2020	**22**	**$ 87.27**	**$ 1,620**
Exercisable December 31, 2020	**22**	**$ 87.27**	**$ 1,620**

At December 31, 2020, there was no compensation cost yet to be recognized related to outstanding options. For options currently exercisable, the weighted average remaining contractual term (remaining period of exercisability) as of December 31, 2020 was 5.50 years.

Restricted Stock Unit Awards

The Company issues unit awards under the 2015 EIP. The following table summarizes non-vested restricted stock unit awards as of December 31, 2020:

Unit awards	Units	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding July 1, 2020	307	$ 136.41	
Granted	73	185.52	
Vested	(102)	104.57	
Forfeited	—	—	
Outstanding December 31, 2020	**278**	**$ 161.09**	**$ 44,979**

The 73 unit awards granted in fiscal 2021 had service requirements and performance targets, with 38 only having service requirements. Those 38 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 35 unit awards granted in fiscal 2021 had performance targets along with service requirements, all of which were valued using a Monte Carlo pricing model as of the measurement date customized to the specific provisions of the Company's plan design to value the unit awards as of the grant date.

Per the Company's award vesting and settlement provisions, approximately half of the awards that utilize a Monte Carlo pricing model were valued at grant on the basis of Total Shareholder Return (TSR) in comparison to the compensation peer group made up of participants approved by the Compensation Committee of the Company's Board of Directors for fiscal year 2021, and the other half of the awards utilizing a Monte Carlo pricing model were valued at grant on the basis of Total Shareholder Return in comparison to the Standard & Poor's 1500 Information Technology Index (S&P 1500 IT Index) participants. The Monte Carlo inputs used in the model to estimate fair value at the measurement date and resulting values for these performance unit awards are as follows.

	Compensation Peer Group	S&P 1500 IT Index
Volatility	25.17 %	25.17 %
Risk free interest rate	0.11 %	0.11 %
Annual dividend based on most recent quarterly dividend	1.72	1.72
Beginning TSR	37 %	30 %

At December 31, 2020, there was $23,610 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 period of 1.52 years.

NOTE 9. EARNINGS PER SHARE

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	**2020**	2019
Net Income	**$ 71,982**	$ 72,098	**$ 163,198**	$ 161,468
Common share information:				
Weighted average shares outstanding for basic earnings per share	**76,202**	76,879	**76,354**	76,926
Dilutive effect of stock options and restricted stock	**78**	56	**142**	75
Weighted average shares outstanding for diluted earnings per share	**76,280**	76,935	**76,496**	77,001
Basic earnings per share	**$ 0.94**	$ 0.94	**$ 2.14**	$ 2.10
Diluted earnings per share	**$ 0.94**	$ 0.94	**$ 2.13**	$ 2.10

Per share information is based on the weighted average number of common shares outstanding for the three and six months ended December 31, 2020 and 2019. Stock options and restricted stock units have been included in the calculation of earnings per share to the extent they are dilutive. There were 21 anti-dilutive stock options or restricted stock units excluded for the quarter ended December 31, 2020 and 50 excluded for the quarter ended December 31, 2019. There were 21 anti-dilutive stock options or restricted stock units excluded for the six months ended December 31, 2020 and 37 excluded for the six months ended December 31, 2019.

NOTE 10. BUSINESS ACQUISITIONS

Geezeo

On July 1, 2019, the Company acquired all of the equity interest of DebtFolio, Inc. ("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.

Management has completed a purchase price allocation and its assessment of the fair value of acquired assets and liabilities assumed. The recognized amounts of identifiable assets acquired and liabilities assumed, based on their fair values as of July 1, 2019 are set forth below:

Current assets	$	8,925
Long-term assets		397
Identifiable intangible assets		19,114
Deferred income tax liability		(2,593)
Total other liabilities assumed		(7,457)
Total identifiable net assets		18,386
Goodwill		19,390
Net assets acquired	$	37,776

The goodwill of $19,390 arising from this acquisition consists largely of the growth potential, synergies and economies of scale expected from combining the operations of the Company with those of Geezeo, together with the value of Geezeo's assembled workforce. The goodwill from this acquisition has been allocated to our Complementary segment and is not deductible for income tax purposes.

Identifiable intangible assets from this acquisition consist of customer relationships of $10,522, computer software of $5,791, and other intangible assets of $2,801. The amortization period for acquired customer relationships, computer software, and other intangible assets is 15 years for each.

Current assets were inclusive of cash acquired of $7,400. The fair value of current assets acquired included accounts receivable of $1,373, none of which were expected to be uncollectible.

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 condensed consolidated statements of income for the three months ended December 31, 2020 included revenue of $3,273 and after-tax net income of $1,156 resulting from Geezeo's operations. The Company's condensed consolidated statements of income for the three months ended December 31, 2019 included revenue of $2,040 and after-tax net income of $140 resulting from Geezeo's operations.

The Company's condensed consolidated statements of income for the six months ended December 31, 2020 included revenue of $6,486 and after-tax net income of $2,222 resulting from Geezeo's operations. The Company's condensed consolidated statements of income for the six months ended December 31, 2019 included revenue of $4,432 and after-tax net income of $178 resulting from Geezeo's operations.

The accompanying condensed consolidated statements of income for the three and six months ended December 31, 2020 and 2019 do not include any revenues and expenses related to this acquisition prior to the acquisition date. The impact of this acquisition was considered immaterial to the current and prior periods of our condensed consolidated financial statements and pro forma financial information has not been provided.

NOTE 11. REPORTABLE SEGMENT INFORMATION

The Company is a provider of integrated computer systems that perform data processing (available for on-premise installations or JKHY cloud-based services) for banks and credit unions.

The Company’s operations are classified into four reportable segments: Core, Payments, Complementary, and Corporate & 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 transaction processing services, online and mobile bill pay solutions, Automated Clearing House ("ACH") origination and remote deposit capture processing, and risk management products and services. The Complementary segment provides additional software and services that can be integrated with our Core solutions or used independently. The Corporate & Other segment includes hardware revenue and costs, 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.

During the second quarter of fiscal 2021, Jack Henry's call center was consolidated into the Complementary segment. As a result of this consolidation, an immaterial adjustment was made during the second quarter of fiscal 2021 to reclassify revenue and related costs recognized during the three and six months ended December, 31, 2019 from the Core to the Complementary segment. The revenue amounts reclassified were $4,845 for three months ended December 31, 2019, and $9,475 for the six months ended December 31, 2019. The cost of revenue amounts reclassified were $2,866 for the three months ended December 31, 2019, and $5,550 for the six months ended December 31, 2019. An additional immaterial adjustment was made after the quarter ended December 31, 2019 to reclassify cost of revenue recognized in the year-to-date period of fiscal 2020 from the Corporate & Other to the Payments segment to be consistent with the current allocation of cost of revenue by segment. The amount reclassified totaled $131 for the three and six months ended December 31, 2019.

	Three Months Ended December 31, 2020				
	Core	**Payments**	**Complementary**	**Corporate & Other**	**Total**
REVENUE					
Services and Support	$ 126,758	$ 14,807	$ 98,829	$ 10,479	$ 250,873
Processing	8,190	140,375	22,579	344	171,488
Total Revenue	134,948	155,182	121,408	10,823	422,361
Cost of Revenue	58,519	86,455	52,407	60,401	257,782
Research and Development					26,780
Selling, General, and Administrative					44,167
Total Expenses					328,729
SEGMENT INCOME	$ 76,429	$ 68,727	$ 69,001	$ (49,578)	
OPERATING INCOME					93,632
INTEREST INCOME (EXPENSE)					(65)
INCOME BEFORE INCOME TAXES					$ 93,567

	Three Months Ended December 31, 2019				
	Core	Payments	Complementary	Corporate & Other	Total
REVENUE					
Services and Support	$ 125,937	$ 14,829	$ 99,323	$ 15,115	$ 255,204
Processing	7,586	137,216	19,006	107	163,915
Total Revenue	133,523	152,045	118,329	15,222	419,119
Cost of Revenue	58,377	79,266	50,885	60,739	249,267
Research and Development					27,187
Selling, General, and Administrative					48,961
Total Expenses					325,415
SEGMENT INCOME	$ 75,146	$ 72,779	$ 67,444	$ (45,517)	
OPERATING INCOME					93,704
INTEREST INCOME (EXPENSE)					190
INCOME BEFORE INCOME TAXES					$ 93,894

	Six Months Ended December 31, 2020				
	Core	Payments	Complementary	Corporate & Other	Total
REVENUE					
Services and Support	271,344	31,111	207,378	22,037	531,870
Processing	16,759	280,804	44,384	344	342,291
Total Revenue	288,103	311,915	251,762	22,381	874,161
Cost of Revenue	122,410	172,783	104,431	121,087	520,711
Research and Development					52,837
Selling, General, and Administrative					89,393
Total Expenses					662,941
SEGMENT INCOME	$ 165,693	$ 139,132	$ 147,331	$ (98,706)	
OPERATING INCOME					211,220
INTEREST INCOME (EXPENSE)					(115)
INCOME BEFORE INCOME TAXES					$ 211,105

	Six Months Ended December 31, 2019				
	Core	Payments	Complementary	Corporate & Other	Total
REVENUE					
Services and Support	$ 269,398	$ 32,137	$ 202,404	$ 30,073	$ 534,012
Processing	15,392	269,654	37,750	316	323,112
Total Revenue	284,790	301,791	240,154	30,389	857,124
Cost of Revenue	118,999	155,890	100,242	119,927	495,058
Research and Development					51,778
Selling, General, and Administrative					98,396
Total Expenses					645,232
SEGMENT INCOME	$ 165,791	$ 145,901	$ 139,912	$ (89,538)	
OPERATING INCOME					211,892
INTEREST INCOME (EXPENSE)					541
INCOME BEFORE INCOME TAXES					$ 212,433

The Company has not disclosed any additional asset information by segment, as the information is not generated for internal management reporting to the Chief Operating Decision Maker.

NOTE 12: SUBSEQUENT EVENTS

None.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the accompanying notes to the condensed consolidated financial statements included in this Form 10-Q for the quarter ended December 31, 2020.

OVERVIEW

Jack Henry & Associates, Inc. ("JKHY") is a leading provider of technology solutions and payment processing services primarily for financial services organizations. Its solutions are marketed and supported through three primary brands. Jack Henry Banking® is a top provider of information and transaction processing solutions to U.S. banks ranging from community banks to multi-billion-dollar asset institutions. Symitar® is a leading provider of information and transaction processing solutions for credit unions of all sizes. ProfitStars® provides specialized products and services that enable financial institutions of every asset size and charter, and diverse corporate entities outside the financial services industry, to mitigate and control risks, optimize revenue and growth opportunities, and contain costs. JKHY's integrated solutions are generally available for on-premise installation and delivery in our JKHY cloud.

Our two primary revenue streams are "services and support" and "processing." Services and support includes: "outsourcing and cloud" fees that predominantly have contract terms of five 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 "in-house 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.

All dollar amounts in the following discussion are in thousands, except per share amounts.

COVID-19 Impact and Response

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic and the President of the United States declared the outbreak as a national emergency. As COVID-19 has rapidly spread, federal, state and local governments have responded by imposing varying degrees of restrictions, including widespread “stay-at-home” orders, social distancing requirements, travel limitations, quarantines, and forced closures or limitations on operations of non-essential businesses. Such restrictions have resulted in significant economic disruptions and uncertainty.

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 allow them to work off-site. This recommended remote working option is currently extended until at least July 1, 2021, and our internal task force will continue to evaluate recommending further extensions. Based on guidance from the U.S. Department of Homeland Security's Cybersecurity and Infrastructure Security Agency, the Company was designated as essential critical infrastructure because of our support of the financial services industry. As of February 1, 2021, the majority of our employees were continuing to work remotely. Our internal task force considers federal, state and local guidance, as well as employee-specific and facility-specific factors, when recommending Company actions. At such time that our internal task force recommends that our remote employees begin to return to our facilities, we have prepared procedures to assist with a safe, gradual and deliberate approach, including a return-to-office training, enhanced sanitation procedures and face mask requirements, which are currently being utilized by our employees who are required to be on-site to perform their required job functions.

We have suspended all non-essential business travel until at least July 1, 2021, and our internal task force will continue to evaluate the need for further extensions. We have put additional safety precautions into place for travel that is essential. We have also updated the health benefits available to our employees by waiving out-of-pocket expenses related to testing and treatment of COVID-19. Despite the move to a principally remote workforce, we honored our 2020 summer internship program through virtual methods.

Customers

We are working 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. However, we have experienced delays related to continuing customer migrations to our new card processing platform. We completed the migrations of our core customers and are on track for the revised schedule for non-core customers by March 31, 2021. We continue to work with our customers to support them during this difficult time, and, to that end, have waived certain late fees in connection with our products and services. We have also enhanced our lending service offerings to support the Paycheck Protection Program (PPP) that was introduced by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020. Even though a substantial portion of our workforce has worked remotely during the outbreak and business travel has been curtailed, 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 for the foreseeable future without materially impacting our business.

Financial impact

We have seen delays in certain product installations due to COVID-19 with the associated revenue pushed from the current period to future periods. These headwinds may continue to impact our license, hardware, installation and pass-through revenues throughout fiscal 2021. 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 the first six months of fiscal 2021, 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; the speed and effectiveness of vaccine and treatment developments; the speed of economic recovery; 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.

RESULTS OF OPERATIONS

In the second quarter of fiscal 2021, total revenue increased 1%, or $3,242, compared to the same quarter in the prior fiscal year. Adjusting total revenue in both quarters for deconversion fee revenue, which decreased $5,562 to $2,155 and revenue from divestitures from the prior fiscal year quarter of $1,168, results in a total revenue increase of 2% for the quarter compared to the same quarter a year ago. This increase was primarily driven by growth in data processing and hosting fee revenues, as well as growth in Jack Henry digital, remittance, and card processing revenues.

Operating expenses increased 1% compared to the second quarter of fiscal 2020, primarily due to increased direct costs related to our card payment processing platform and Jack Henry digital, as well as higher personnel costs partially offset by travel expense savings, including savings generated by holding virtual events, and a gain on disposal of assets. Higher personnel costs were primarily related to a headcount increase of 2% at December 31, 2020 compared to December 31, 2019.

Operating income remained consistent for the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020. Adjusting operating income for both quarters for the effects of deconversion fees of $1,919 in the current fiscal quarter and $6,800 in the prior fiscal year second quarter, a gain on disposal of assets of $2,040 in the current fiscal quarter, and operating income from divestitures from the prior fiscal year quarter of $277, results in a 4% increase in operating income for the second quarter of fiscal 2021 compared to the same quarter a year ago, primarily driven by the revenue growth described above partially offset by increased operating expenses detailed above.

The provision for income taxes decreased 1% compared to the prior fiscal year second quarter. The effective tax rate for the second quarter of fiscal 2021 was 23.1% compared to 23.2% in the same quarter a year ago.

The above changes led to net income for the second quarter of fiscal 2021 that was essentially unchanged compared to the second quarter of fiscal 2020.

In the six months ended December 31, 2020, total revenue increased 2%, or $17,037, over the six months ended December 31, 2019. Adjusting total revenue in both periods for deconversion fee revenue, which decreased $14,566 to $8,037 and revenue from divestitures from the prior fiscal year period of $1,168, results in a 4% increase in total revenue for the period compared to the same period a year ago. The revenue increase was primarily driven by increased data processing and hosting fee revenues, as well as growth in card processing, Jack Henry digital, and remittance revenues.

Operating expenses for the six months ended December 31, 2020 increased 3% compared to the equivalent period in the prior fiscal year, primarily due to increased direct costs and higher personnel costs partially offset by travel expense savings, including savings generated by holding virtual events, and a gain on disposal of assets. The increased direct costs were primarily related to our card payment processing platform and Jack Henry digital. Higher personnel costs were primarily related to a headcount increase of 2% at December 31, 2020 compared to December 31, 2019.

Operating income remained consistent for the six months ended December 31, 2020 compared to the same period last fiscal year. Adjusting operating income for both periods for the effects of deconversion fees of $7,138 in the current fiscal period and $20,449 in the prior fiscal year period, a gain on disposal of assets of $2,040 in the current fiscal year-to-date period, and operating income from divestitures from the prior fiscal year period of $277, results in a 6% increase in operating income for the six months ended December 31, 2020 compared to the same period a year ago, primarily driven by the revenue growth described above partially offset by increased operating expenses detailed above.

The provision for income taxes decreased 6% compared to the prior fiscal year-to-date period. The effective tax rate for the six months ended December 31, 2020 was 22.7% compared to 24.0% in the prior year fiscal period. The decrease was primarily driven by the difference in the tax benefits recognized from stock-based compensation between the two periods.

The result of the above changes led to increased net income of 1% for the six months ended December 31, 2020 compared to the same period in the prior fiscal year.

We move into the third quarter of fiscal 2021 with optimism following strong performance in the second quarter, but with limited visibility of the future impact of the COVID-19 pandemic. Significant portions of our business continue to come from recurring revenues and our sales pipeline also remains encouraging. Our customers continue to face regulatory and operational challenges which our products and services address, and in these uncertain times, we believe they have an even greater need for our solutions that directly address institutional profitability, efficiency, and security. Our strong balance sheet, access to extensive lines of credit, the continued strength of our existing lines of revenue, and an unwavering commitment to superior customer service should position us well to address current and future opportunities.

A detailed discussion of the major components of the results of operations for the three and six months ended December 31, 2020 follows. Discussions compare the current fiscal year's three and six months ended December 31, 2020 to the prior year's three and six months ended December 31, 2019.

REVENUE

Services and Support	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Services and Support	**$ 250,873**	$ 255,204	**(2)%**	**$ 531,870**	$ 534,012	**— %**
Percentage of total revenue	**59 %**	61 %		**61 %**	62 %	

Services and support revenue decreased 2% in the second quarter of fiscal 2021 compared to the same quarter a year ago. Adjusting services and support revenue for deconversion fee revenue from each quarter, which was $2,155 in the current fiscal year quarter and $7,717 in the prior fiscal year quarter, and revenue from divestitures of $1,167 from the prior fiscal year quarter, results in growth of 1% in this revenue line quarter over quarter primarily driven by increased data processing and hosting fees reflecting a continuing shift of customers to our term license model, partially offset by lower pass through revenue related to billable travel.

In the six months ended December 31, 2020, services and support revenue remained consistent compared to the six months ended December 31, 2019. Adjusting services and support revenue for deconversion fee revenue from each period presented, which was $8,037 in the current fiscal year period and $22,603 in the prior fiscal year period, and revenue from divestitures of $1,167 from the prior fiscal year period, results in growth of 3% in this revenue line period over period primarily driven by increases in data processing and hosting fees, as well as increased software usage revenue partially offset by lower pass through revenue related to billable travel.

Processing	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Processing	**$ 171,488**	$ 163,915	**5 %**	**$ 342,291**	$ 323,112	**6 %**
Percentage of total revenue	**41 %**	39 %		**39 %**	38 %	

Processing revenue increased 5% in the second quarter of fiscal 2021 compared to the same quarter last fiscal year. The increase was primarily driven by higher card processing and Jack Henry digital revenue due to expanding volumes, complemented by increases in the other processing revenue components, quarter over quarter.

Each processing revenue component also experienced volume growth in the fiscal year-to-date period, leading to an increase in processing revenue of 6% for the six months ended December 31, 2020 compared to the six months ended December 31, 2019.

OPERATING EXPENSES

Cost of Revenue	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Cost of Revenue	**$ 257,782**	$ 249,267	**3 %**	**$ 520,711**	$ 495,058	**5 %**
Percentage of total revenue	**61 %**	59 %		**60 %**	58 %	

Cost of revenue for the second quarter of fiscal 2021 increased 3% over the prior fiscal year second quarter and increased as a percentage of total revenue. Adjusting cost of revenue for the effects of deconversion fees from each quarter, which were $213 in the current fiscal year quarter and $694 in the prior fiscal year quarter, and costs related to divestitures of $720 from the prior fiscal year quarter, results in a 4% increase in cost of revenue quarter over quarter. This increase was primarily due to higher costs associated with our card processing platform and higher personnel costs related to increased headcount at December 31, 2020 compared to a year ago due to organic growth within our product lines. The increase in costs was partially offset by travel expense savings, including savings generated by holding virtual events, as a result of COVID-19 travel limitations.

For the fiscal year-to-date period, cost of revenue increased 5% over the same prior fiscal year-to-date period and increased as a percentage of revenue. Adjusting cost of revenue for the effects of deconversion fees from each period, which were $649 in the current fiscal year period and $1,931 in the prior fiscal year period, and costs related to divestitures of $720 from the prior fiscal year period, results in a 6% increase in cost of revenue period over period. The increase in costs was due to the factors discussed above for the quarter.

Research and Development	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Research and Development	**$ 26,780**	$ 27,187	**(1)%**	**$ 52,837**	$ 51,778	**2 %**
Percentage of total revenue	**6 %**	6 %		**6 %**	6 %	

Research and development expense decreased 1% for the second quarter of fiscal 2021 over the prior fiscal year second quarter. The decrease was primarily due to higher capitalized research and development costs quarter over quarter. Research and development expense for the quarter remained consistent compared to the prior fiscal year quarter as a percentage of total revenue.

For the fiscal year-to-date period, research and development expense increased 2% over the prior fiscal year-to-date period. The increase for the fiscal year-to-date period reflected our continuing commitment to the development of strategic products. Research and development expense for the six months ended December 31, 2020 remained consistent with the same period a year ago as a percentage of total revenue.

Selling, General, and Administrative	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Selling, General, and Administrative	**$ 44,167**	$ 48,961	**(10)%**	**$ 89,393**	$ 98,396	**(9)%**
Percentage of total revenue	**10 %**	12 %		**10 %**	11 %	

Selling, general, and administrative expense decreased 10% in the second quarter of fiscal 2021 over the same quarter in the prior fiscal year. Adjusting selling, general, and administrative expense for the effects of deconversion fees from each quarter, which were $24 in the current fiscal year quarter and $224 in the prior fiscal year quarter, costs related to divestitures of $32 from the prior fiscal year quarter, and a gain on disposal of assets, net, from the current fiscal year quarter of $2,040, results in a 5% decrease in selling, general, and administrative expense quarter over quarter. Personnel cost increases for the quarter were more than offset by travel expense savings as a result of COVID-19 travel limitations and lower expenses related to our Jack Henry Annual Conference ("JAC") being held virtually this quarter (see "COVID-19 Impact and Response" section above). Selling, general, and administrative expense decreased as a percentage of total revenue this fiscal year quarter versus the prior fiscal year quarter.

For the fiscal year-to-date period, selling, general, and administrative expense decreased 9% over the prior fiscal year-to-date period. Adjusting selling, general, and administrative expense for the effects of deconversion fees from each period, which were $250 in the current fiscal year period and $224 in the prior fiscal year period, costs related to divestitures of $32 from the prior fiscal year period, and a gain on disposal of assets, net, from the current fiscal year period of $2,040, results in a 7% decrease in selling, general, and administrative expense period over period. This decrease was primarily due to the factors listed above for the quarter and included our national sales meeting, JAC, and Symitar Education Conference being held virtually during the current year-to-date period (see “COVID-19 Impact and Response” section above). Selling, general, and administrative expense decreased as a percentage of total revenue this period versus the prior-year period.

INTEREST INCOME (EXPENSE)	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Interest Income	**$ 52**	$ 346	(85)%	**$ 120**	$ 853	(86)%
Interest Expense	**$ (117)**	$ (156)	(25)%	**$ (235)**	$ (312)	(25)%

Interest income fluctuated due to changes in invested balances and yields on invested balances during the second quarter and year-to-date period of fiscal 2021 compared to the same periods a year ago. Interest expense decreased when compared to the prior fiscal year quarter and fiscal year-to-date period due to interest rate fluctuations, length of borrowing time, and amounts borrowed. There was no outstanding balance under the credit facility at December 31, 2020 and no outstanding balance at December 31, 2019.

PROVISION FOR INCOME TAXES	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Provision for Income Taxes	**$ 21,585**	$ 21,796	**(1)%**	**$ 47,907**	$ 50,965	**(6)%**
Effective Rate	**23.1 %**	23.2 %		**22.7 %**	24.0 %	

The decrease in effective tax rate for the three and six month periods ended December 31, 2020 compared to the same periods in the prior fiscal year was primarily due to the difference in impact of share-based compensation that vested during each of the periods.

NET INCOME

Net income remained consistent at $71,982, or $0.94 per diluted share, for the second quarter of fiscal 2021 compared to $72,098, or $0.94 per diluted share in the same quarter of fiscal 2020.

Net income increased 1% to $163,198, or $2.13 per diluted share, for the six months ended December 31, 2020, compared to $161,468, or $2.10 per diluted share, for the six months ended December 31, 2019, resulting in a 2% increase in diluted earnings per share. The increase in net income was primarily attributable to the growth in our lines of revenue, the recognition of travel expense savings, and a lower effective tax rate partially offset by the increase in cost of revenue related to the organic growth in our product lines, as well as lower deconversion fee revenue during the period.

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, processing platforms, and services that can be integrated with our core solutions or 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.

Core

	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Revenue	**$ 134,948**	$ 133,523	1 %	**$ 288,103**	$ 284,790	1 %
Cost of Revenue	**$ 58,519**	$ 58,377	— %	**$ 122,410**	$ 118,999	3 %

Revenue in the Core segment increased 1% and cost of revenue remained consistent for the three months ended December 31, 2020 compared to the three months ended December 31, 2019. Adjusting Core revenue for deconversion fee revenue in both periods, which totaled $882 for the second quarter of fiscal 2021 and $3,516 for the second quarter of fiscal 2020 and revenue from divestitures of $1,168 from the prior year quarter, results in a 4% increase in Core segment revenue quarter over quarter. The increase in Core revenue over the prior fiscal year quarter was primarily driven by the growth in data processing and hosting fee revenue as well as increased software usage fee revenue. Cost of revenue remained consistent as a percentage of revenue for the second quarter of fiscal 2021 compared to the same quarter of fiscal 2020.

For the six months ended December 31, 2020, revenue in the Core segment increased 1% compared to the prior fiscal year-to-date period. Adjusting Core revenue for deconversion fee revenue in both periods, which totaled $2,934 for the year-to-date period of fiscal 2021 and $10,615 for the year-to-date period of fiscal 2020 and revenue from divestitures of $1,168 from the prior year period, results in a 4% increase in Core segment revenue period over period. This increase in Core revenue over the prior fiscal year-to-date period was primarily driven by the growth in data processing and hosting fees as well as increased software usage fee revenue. Cost of revenue increased 3% period over period primarily due to increased direct support costs. Cost of revenue increased 1% as a percentage of revenue for year-to-date fiscal 2021 compared to the same period of fiscal 2020.

Payments

	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Revenue	**$ 155,182**	$ 152,045	2 %	**$ 311,915**	$ 301,791	3 %
Cost of Revenue	**$ 86,455**	$ 79,266	9 %	**$ 172,783**	$ 155,890	11 %

Revenue in the Payments segment increased 2% for the second quarter of fiscal 2021 compared to the equivalent quarter of the prior fiscal year. Adjusting Payments revenue for deconversion fee revenue in both periods, which totaled $674 for the second quarter of fiscal 2021 and $2,066 for the second quarter of fiscal 2020, results in a 3% increase in Payments segment revenue quarter over quarter. Payments revenue growth was primarily due to increased card and remittance fee revenue within processing. Cost of revenue increased 9% quarter over quarter primarily due to increased costs related to our credit and debit card processing platform. Cost of revenue as a percentage of revenue increased 4% for the second quarter of fiscal 2021 compared to the same quarter of fiscal 2020.

For the six months ended December 31, 2020, revenue in the Payments segment increased 3% compared to the same period last fiscal year. Adjusting Payments revenue for deconversion fee revenue in both periods, which totaled $2,521 for year-to-date fiscal 2021 and $7,036 for year-to-date fiscal 2020, results in a 5% increase in Payments revenue period over period. Payments revenue growth was primarily due to increased card and remittance revenue within processing. Cost of revenue increased 11% period over period primarily due to the same factors as the quarter increase. Cost of revenue as a percentage of revenue increased 4% for year-to-date fiscal 2021 compared to the same period of fiscal 2020.

Complementary

	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Revenue	**$ 121,408**	$ 118,329	3 %	**$ 251,762**	$ 240,154	5 %
Cost of Revenue	**$ 52,407**	$ 50,885	3 %	**$ 104,431**	$ 100,242	4 %

Revenue in the Complementary segment increased 3% for the second quarter of fiscal 2021 compared to the equivalent quarter of the prior fiscal year. Adjusting Complementary revenue for deconversion fee revenue in both periods, which totaled $509 for the second quarter of fiscal 2021 and $2,100 for the second quarter of fiscal 2020, results in a 4% increase in Complementary segment revenue quarter over quarter. Complementary revenue growth was primarily driven by increased Jack Henry digital revenue and higher hosting fee revenue. Cost of revenue increased 3% quarter over quarter primarily due to increased licenses and fees expense, personnel costs, and amortization. Cost of revenue as a percentage of revenue remained consistent for the second quarter of fiscal 2021 compared to the same quarter of fiscal 2020.

For the six months ended December 31, 2020, revenue in the Complementary segment increased 5% compared to the same period last fiscal year. Adjusting Complementary revenue for deconversion fee revenue in both periods, which totaled $2,509 for year-to-date fiscal 2021 and $4,902 for year-to-date fiscal 2020, results in a 6% increase in Complementary segment revenue period over period. The increase in Complementary revenue was primarily driven by increased Jack Henry digital revenue and higher hosting fee revenue. Cost of revenue increased 4% period over period primarily due to the same factors as the quarter increase. Cost of revenue as a percentage of revenue remained consistent for year-to-date fiscal 2021 compared to the same period of fiscal 2020.

Corporate and Other

	Three Months Ended December 31,		% Change	Six Months Ended December 31,		% Change
	2020	2019		**2020**	2019	
Revenue	**$ 10,823**	$ 15,222	(29)%	**$ 22,381**	$ 30,389	(26)%
Cost of Revenue	**$ 60,401**	$ 60,739	(1)%	**$ 121,087**	$ 119,927	1 %

Revenue in the Corporate and Other segment decreased 29% for the second quarter of fiscal 2021 compared to the equivalent quarter of the prior fiscal year, and decreased 26% for the fiscal year-to-date period compared to the prior fiscal year-to-date period. The decrease quarter over quarter and period over period was primarily due to lower hardware and pass-through revenues. Revenue classified in the Corporate and Other segment includes revenue from other products and services and hardware not specifically attributed to any of the other three segments.

Cost of revenue for the Corporate and Other segment includes operating cost not directly attributable to any of the other three segments. The decreased cost of revenue in the second quarter of fiscal 2021 of 1% was primarily due to lower hardware costs partially offset by higher other operating expenses. The increased cost of revenue for the fiscal 2021 year-to-date period of 1% was primarily due to higher other operating expenses partially offset by lower hardware costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents decreased to $147,762 at December 31, 2020 from $213,345 at June 30, 2020.

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

	Six Months Ended December 31,	
	2020	2019
Net income	**$ 163,198**	$ 161,468
Non-cash expenses	**104,200**	95,266
Change in receivables	**87,518**	106,782
Change in deferred revenue	**(126,134)**	(117,489)
Change in other assets and liabilities	**(34,798)**	(31,014)
Net cash provided by operating activities	**$ 193,984**	$ 215,013

Cash provided by operating activities for the first six months of fiscal 2021 decreased 10% compared to the same period last year. Cash from operations is primarily used to repay debt, pay dividends, repurchase stock, and for capital expenditures.

Cash used in investing activities for the first six months of fiscal 2021 totaled $82,544 and included: $62,804 for the ongoing enhancements and development of existing and new product and service offerings; the purchase of investments including Autobooks of $7,250 and certificates of deposit of $5,000; capital expenditures on facilities and equipment of $9,543; and $4,254 for the purchase and development of internal use software. This was partially offset by $6,157 of proceeds from dispositions. Cash used in investing activities for the first six months of fiscal 2020 totaled $125,395 and included $57,886 for the development of software; capital expenditures of $30,758; $30,376, net of cash acquired, for the acquisition of Geezeo; $5,551 for the purchase and development of internal use software; and $1,150 for the purchase of investments. This was partially offset by $326 of proceeds from the sale of assets.

Financing activities used cash of $177,023 for the first six months of fiscal 2021, including $109,899 for the purchase of treasury shares, dividends paid to stockholders of $65,516, $1,551 net cash outflow from the issuance of stock and tax withholding related to stock-based compensation, and $57 for payments on financing leases. Financing activities used cash in the first six months of fiscal 2020 totaled $110,733, which included $61,502 for the payment of dividends, $51,210 for the purchase of treasury shares, and $1,979 net cash inflow from the issuance of stock and tax withholding 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 $9,543 and $30,758 for the six months ended December 31, 2020 and December 31, 2019, respectively, were made primarily for additional equipment and the improvement of existing facilities. These additions were funded from cash generated by operations. Total consolidated capital expenditures on facilities and equipment for the Company for fiscal year 2021 are not expected to exceed $58,000 and will be funded from cash generated by operations.

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or borrowings on its existing line-of-credit. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At December 31, 2020, there were 27,668 shares in treasury stock and the Company had the remaining authority to repurchase up to 2,323 additional shares. The total cost of treasury shares at December 31, 2020 is $1,291,572. During the first six months of fiscal 2021, the Company repurchased 675 treasury shares. At June 30, 2020, there were 26,993 shares in treasury stock and the Company had authority to repurchase up to 2,998 additional shares.

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 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 December 31, 2020, the Company was in compliance with all such covenants. The revolving credit facility terminates February 10, 2025. There was no outstanding balance under the credit facility at December 31, 2020 or June 30, 2020.

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 expires on April 30, 2021. At December 31, 2020 and June 30, 2020, no amount was outstanding.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Dollar amounts in this item are in thousands.

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 at times are exposed to interest rate risk on outstanding debt. We do not currently use any derivative financial instruments. We actively monitor these risks through a variety of controlled procedures involving senior management.

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

We have no outstanding debt with variable interest rates as of December 31, 2020 and are therefore not currently exposed to interest rate risk.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of our management, including the 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, the CEO and CFO concluded that our disclosure controls and procedures are effective to ensure 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 that is 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.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended December 31, 2020, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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. 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following shares of the Company were repurchased during the quarter ended December 31, 2020:

	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 (2)
October 1- October 31, 2020	—	—	—	2,597,713
November 1- November 30, 2020	250,000	$ 159.88	250,000	2,347,713
December 1- December 31, 2020	25,000	162.24	25,000	2,322,713
Total	**275,000**	**160.10**	**275,000**	**2,322,713**

(1) 275,000 shares were purchased through a publicly announced repurchase plan.

(2) Total stock repurchase authorizations approved by the Company's Board of Directors as of February 17, 2015 were for 30 million shares. These authorizations have no specific dollar or share price targets and no expiration dates.

ITEM 6. EXHIBITS

3.1.8 Restated Certificate of Incorporation of Jack Henry & Associates, Inc.

10.67 Aircraft Time Sharing Agreement

31.1 Certification of the Chief Executive Officer.

31.2 Certification of the Chief Financial Officer.

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

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

101.INS* XBRL Instance Document- the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL 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

104* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Furnished with this quarterly report on Form 10-Q are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets at December 31, 2020 and June 30, 2020, (ii) the Condensed Consolidated Statements of Income for the three and six months ended December 31, 2020 and 2019, (iii) the Condensed Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended December 31, 2020 and 2019, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended December 31, 2020 and 2019, and (v) Notes to Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

	JACK HENRY & ASSOCIATES, INC.
Date: February 9, 2021	/s/ David B. Foss David B. Foss Chief Executive Officer and President
Date: February 9, 2021	/s/ Kevin D. Williams Kevin D. Williams Chief Financial Officer and Treasurer

RESTATED
CERTIFICATE OF INCORPORATION
OF
JACK HENRY & ASSOCIATES, INC.

(Pursuant to Section 245 of the
General Corporation Law of the State of Delaware)

Jack Henry & Associates, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "**General Corporation Law**"),

DOES HEREBY CERTIFY:

1. That the name of this corporation is Jack Henry & Associates, Inc., and that this corporation was originally incorporated pursuant to the General Corporation Law on October 4, 1985 under the name Jack Henry & Associates, Inc.

2. That the Board of Directors duly adopted in accordance with Section 245 of the General Corporation Law this restated certificate of incorporation, which only restates and integrates and does not further amend the provisions of the corporation's certificate of incorporation as theretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of the restated certificate. The restated certificate of incorporation reads in its entirety as follows:

FIRST: This corporation is organized and will exist under the laws of the State of Delaware.

SECOND: The name of the corporation is Jack Henry & Associates, Inc.

THIRD: The location of the registered office of this corporation within the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, Zip Code 19801. The name of its registered agent at such address is National Registered Agents, Inc.

FOURTH: The nature of the business of the corporation and the purposes for which it is organized are to engage in any business and in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware, and to possess and employ all powers now or hereafter granted or available under the laws of the State of Delaware to such corporations.

FIFTH: 5.1. The total number of shares which the corporation shall have authority to issue is 250,500,000 shares, which shall consist of two classes. One class designated "common stock," shall consist of 250,000,000 shares each of which shall have a par value of $.01 per share. The other class designated "preferred stock," shall consist of 500,000 shares, each of which shall have a par value of $1.00 per share.

5.2. The board of directors is hereby authorized to establish, out of authorized but unissued shares of preferred stock, series of preferred stock and to fix and determine the relative rights and preferences of the shares of any series of preferred stock so established. Each of such series may have such voting powers, full or limited, or no voting power, and such dividend rights, conversion rights, rights and terms of redemption, preferences, and relative participating optional or other special rights and qualifications, relative participating options or other specific rights and qualifications, limitations or restrictions thereof, and may be comprised of such number of shares and designated in such manner as shall be stated and expressed in the resolution or resolutions providing for the issue of such series as duly adopted by the board of directors.

5.3. The corporation shall have the right to impose restrictions on the transfer of all, or any part of, its share and may become party to agreements entered into by any of its shareholders restricting transfer or encumbrance of any of its shares, or subjecting any of its shares to repurchase or resale obligations.

SIXTH: Except as otherwise provided herein or in the bylaws, every decision by a majority of the shares represented at the meeting and entitled to vote on the subject matter shall constitute a valid corporate act.

6.1. The corporation reserves the right to amend or repeal any provisions contained in these articles of incorporation or any amendments thereto; provided, however, that any proposed amendment shall be approved by vote of the holders of two-thirds of the corporation's stock entitled to vote. However, in the event any amendment to these articles of incorporation or amendments thereto are recommended to the shareholders by at least two-thirds of the corporation's board of directors, then the affirmative vote of two-thirds of the shareholders of the corporation shall not be required to adopt that amendment and only the vote of a simple majority of the corporation's stock entitled to vote will be required.

6.2. [omitted]

SEVENTH: [omitted]

EIGHTH: [omitted]

NINTH: The number of directors of the corporation shall be fixed from time to time in the manner provided in the bylaws and may be increased or decreased from time to time in the manner provided in the bylaws.

TENTH: The board of directors of the corporation is expressly authorized to make, alter, or repeal the bylaws of the corporation. The bylaws of the corporation may also be adopted, altered, amended or repealed by the affirmative vote of the holders of two-thirds of the corporation's stock entitled to vote.

ELEVENTH: The corporation shall, to the fullest extent permitted by Delaware law as in effect from time to time, indemnify any person against all liability and expense (including attorneys' fees) incurred by reason of the fact that he is or was a director or officer of the corporation or, while serving as a director or officer of the corporation, he is or was serving at the request of the corporation as a director, officer, partner or trustee of, or in any similar managerial or fiduciary position of, or as an employee or agent of, another corporation, partnership, joint venture, trust, association or other entity. Expenses (including attorneys' fees) incurred in defending an action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding to the full extent and under the circumstances permitted by Delaware law. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, fiduciary or agent of the corporation against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not the corporation would have the power to indemnify against such liability under the provisions of this Section Eleventh. The indemnification provided by this Section Eleventh shall not be deemed exclusive of any other rights to which those indemnified may be entitled under this certificate of incorporation, any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise, and shall inure to the benefit of their heirs, executors and administrators. The provisions of this Section Eleventh shall not be deemed to preclude the corporation from indemnifying other persons from similar or other expenses and liabilities as the board of directors or the stockholders may determine in a specific instance or by resolution of general application.

TWELFTH: The corporation shall have authority, to the fullest extent now or hereafter permitted by the General Corporation Law of the State of Delaware, or by any other applicable law, to enter into any contract or transaction with one or more of its directors or officers, or with any corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, notwithstanding such relationships and notwithstanding the fact that the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction and notwithstanding the fact that his or their votes are counted for such purpose. Both common and interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

THIRTEENTH: Election of directors need not be by written ballot except and to the extent provided in the bylaws of the corporation.

FOURTEENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said reorganization has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

FIFTEENTH: To the fullest extent permitted by the Delaware General Corporation Law and any amendments thereto, no director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

SIXTEENTH: Any action required or permitted to be taken by the stockholders of the corporation must be taken at an annual or special meeting of the stockholders and may not be taken by any consent in writing in lieu of a meeting of such stockholders.

SEVENTEENTH: The Board of Directors of the corporation, when evaluating any offer of another party to (i) purchase or exchange any securities or property for any outstanding equity securities of the corporation, (ii) merge or consolidate the corporation with another corporation, or (iii) purchase or otherwise acquire all or substantially all of the properties and assets of the corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of the corporation and its stockholders, give due consideration to all relevant factors, including without limitation: (a) not only the price or other consideration being offered in relation to the then current market price of the corporation's outstanding shares of capital stock, but also the Board of Directors' estimate of the future value of the corporation as an independent going concern and the unrealized value of its property and assets; (b) the financial and managerial resources and future prospects of the other party; and (c) the possible social, legal, environmental and economic effects of the transaction on the business of the corporation and its subsidiaries and on the employees, customers and creditors of the corporation and its subsidiaries and the effects on the communities in which the corporation's offices are located. In evaluating any such offer on the basis of the foregoing factors, the directors shall be deemed to be performing their duly authorized duties and acting in good faith and in the best interests of the corporation within the meaning of Section 145 of the General Corporation Law of Delaware, as it may be amended from time to time.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation has been executed by a duly authorized officer of this corporation on this 17th day of November 2020

By: /s/ David B. Foss
David B. Foss
President and Chief Executive Officer

AIRCRAFT TIME SHARING AGREEMENT

This Aircraft Time Sharing Agreement ("**Agreement**") is effective as of the 10th day of November 2020 ("**Effective Date**"), by and between Jack Henry and Associates, Inc. ("**Lessor**"), and David Foss ("**Lessee**");

RECITALS

WHEREAS, Lessor is the registered owner ("**Owner**") of the following aircraft (individually and collectively, the "**Aircraft**):

- that certain Embraer Executive Aircraft Inc. model EMB-505 aircraft, bearing manufacturer's serial number 50500138, currently registered with the Federal Aviation Administration ("**FAA**") as N894JH;
- that certain Embraer Executive Aircraft Inc. model EMB-505 aircraft, bearing manufacturer's serial number 50500174, currently registered with the FAA as N895JH;
- that certain Embraer Executive Aircraft Inc. model EMB-505 aircraft, bearing manufacturer's serial number 50500215, currently registered with the FAA as N896JH; and
- that certain Embraer Executive Aircraft Inc. model EMB-505 aircraft, bearing manufacturer's serial number 50500318, currently registered with the FAA as N897JH;

WHEREAS, Lessor has obtained a fully qualified flight crew to operate the Aircraft;

WHEREAS, Lessor desires to lease to Lessee said Aircraft and to provide a fully qualified flight crew for all operations on a periodic, non-exclusive time sharing basis, as defined in Section 91.501(c) of the Federal Aviation Regulations ("**FARs**"); and

WHEREAS, the use of the Aircraft by Lessee shall at all times be pursuant to and in full compliance with the requirements of FAR Sections 91.501 (b)(6), 91.501 (c)(1) and 91.501 (d);

NOW, THEREFORE, in consideration of the mutual promises and considerations contained in this Agreement, the parties agree as follows:

1. Lessor agrees and has the right to lease the Aircraft to Lessee on a periodic, non-exclusive basis, and to provide a fully qualified flight crew for all operations, pursuant and subject to the provisions of FARs Section 91.501 (c)(1) and the terms to this Agreement. With respect to each flight undertaken under this Agreement, Lessor shall have and retain operational control of the Aircraft as provided in the applicable FAR (as defined in FAR Section 1.1 "operational control," with respect to a flight, means the exercise of authority over initiating, conducting, or terminating a flight.); and, for federal tax purposes, shall have and retain "possession, command and control" of the Aircraft. This Agreement shall commence on the Effective Date and continue for a period of one

(1) year after the Effective Date (the "**Term**"). Thereafter, the Term of this Agreement will be automatically renewed on an annual basis, unless sooner terminated by either party at any time upon ten (10) days prior written notice to the other party.

2. Lessee shall pay Lessor for each flight conducted under this Agreement in an amount determined by Lessor, which in no event shall exceed the following actual expenses of each specific flight as authorized by FAR Section 91.501 (d);

(a) Fuel, oil, lubricants, and other additives;
(b) Travel expenses of the crew, including food, lodging and ground transportation;
(c) Hangar and tie down costs away from the Aircraft's base of operation;
(d) Insurance obtained for the specific flight;
(e) Landing fees, airport taxes and similar assessments;
(f) Customs, foreign permit, and similar fees directly related to the flight;
(g) In-flight food and beverages;
(h) Passenger ground transportation;
(i) Flight planning and weather contract services; and
(j) An additional charge equal to 100% of the expenses listed in subparagraph (a) of this paragraph.

3. Lessor will pay all expenses related to each flight during the operation of the Aircraft when incurred, and will bill Lessee on a monthly basis as soon as practicable after the last day of each calendar month for the amount payable in accordance with paragraph 2 above for all flights for the account of Lessee during the preceding month. Lessee shall pay Lessor for all flights for the account of Lessee pursuant to this Agreement within thirty (30) days of receipt of the invoice therefor. Without limiting the foregoing, amounts payable by Lessee to Lessor under this Agreement may include any federal excise tax that may be imposed under Internal Revenue Code Section 4261 or any similar excise taxes, if any.

4. Lessee shall provide Lessor with requests for flight time and proposed flight schedules as far in advance of any given flight as possible, and in no event less than twenty-four (24) hours in advance of Lessee's planned departure, unless Lessor otherwise agrees. Requests for flight time shall be in a form, whether written or oral, mutually convenient to, and agreed upon by the parties. In addition to the proposed schedules and flight times, Lessee shall provide at least the following information for each proposed flight at some time prior to scheduled departure as required by the Lessor or Lessor's flight crew:

(a) proposed departure point;
(b) destinations;
(c) date and time of flight;
(d) the number of anticipated passengers;
(e) the identity of each anticipated passenger;
(f) the nature and extent of luggage and/or cargo to be carried;
(g) the date and time of return flight, if any; and

(h) any other information concerning the proposed flight that may be pertinent or required by Lessor or Lessor's flight crew.

5. Lessor shall have sole and exclusive authority over the scheduling of the Aircraft, including any limitations on the number of passengers on any flight, provided however, that, Lessor will use reasonable efforts to accommodate Lessee's needs. Lessee acknowledges that use of the Aircraft is on a first-come, first-serve basis and Lessor has no responsibility to make the Aircraft available.

6. As between Lessor and Lessee, Lessor shall be solely responsible for securing maintenance, preventive maintenance and required or otherwise necessary inspections on the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all applicable laws and regulations, and within the sound discretion of the pilot in command. The pilot in command shall have final and complete authority to cancel any flight for any reason or condition, which in his judgment would compromise the safety of the flight.

7. In accordance with applicable FARs, the qualified flight crew provided by Lessor will exercise all of its duties and responsibilities concerning the safety of each flight conducted hereunder. Lessee specifically agrees that the flight crew, in its sole discretion, may terminate any flight, refuse to commence any flight, or take other action, which in the considered judgment of the pilot in command is necessitated by considerations of safety. No such action of the pilot in command shall create or support any liability for loss, injury, damage or delay to Lessee or any other person. The parties further agree that Lessor shall not be liable for delay or failure to furnish the Aircraft and crew pursuant to this Agreement when such failure is caused by government regulation or authority, mechanical difficulty, war, civil commotion, strikes or labor disputes, weather conditions, or acts of God or any other event or circumstance beyond the reasonable control of Lessor.

8. (a) At all times during the term of this Agreement, as between Lessor and Lessee, Lessor shall cause to be carried and maintained, at Lessor's cost and expense, physical damage insurance with respect to the Aircraft and third party aircraft liability insurance in such amounts and on such terms and conditions as Lessor shall determine in its sole discretion, Lessor shall also bear the cost of paying any deductible amount on any policy of insurance in the event of a claim or loss.

(b) Any policies of insurance carried in accordance with this Agreement: (i) shall name Lessee as an additional insured and (ii) shall contain a waiver by the underwriter thereof of any right of subrogation against Lessee. Each liability policy shall be primary without right of contribution from any other insurance, which is carried by Lessee or Lessor and shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

9. (a) LESSEE AGREES THAT THE PROCEEDS OF ANY INSURANCE ("INSURANCE PROCEEDS") WILL BE LESSEE'S SOLE RECOURSE AGAINST

LESSOR, IT'S AFFILIATES, ITS AND THEIR RESPECTIVE PRESENT OR FORMER DIRECTORS, OFFICERS, EMPLOYEES, INSURERS AND AGENTS, AND THE SUCCESSORS AND ASSIGNS THEREOF, OR LESSOR'S OTHER LESSEES (COLLECTIVELY, THE "LESSOR PARTIES") WITH RESPECT TO ANY CLAIMS, ACTIONS, SUITS, PROCEDURES, COSTS, EXPENSES, DAMAGES AND LIABILITIES (COLLECTIVELY, "CLAIMS") THAT LESSEE, ITS EMPLOYEES, AGENTS, GUESTS OR INVITEES (AND THE LAWFUL SUCCESSOR AND ASSIGNS THEREOF) (COLLECTIVELY, THE "LESSEE PARTIES"), MAY HAVE UNDER THIS AGREEMENT OF WHATSOEVER NATURE, WHETHER SEEN OR UNFORESEEN, EXCEPT IN THE EVENT OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT BY LESSOR.

(b) IN NO EVENT SHALL THE LESSOR PARTIES BE LIABLE TO THE LESSEE PARTIES FOR ANY CLAIMS FOR INDIRECT, CONSEQUENTIAL, SPECIAL OR INCIDENTAL DAMAGES AND/OR PUNITIVE DAMAGES OF ANY KIND OR NATURE (COLLECTIVELY, "CONSEQUENTIAL DAMAGES"), UNDER ANY CIRCUMSTANCES OR FOR ANY REASON, INCLUDING AND NOT LIMITED TO ANY DELAY OR FAILURE TO FURNISH THE AIRCRAFT, OR CAUSED BY THE PERFORMANCE OR NON-PERFORMANCE BY LESSOR OF THIS AGREEMENT.

(c) LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS THE LESSOR PARTIES FROM ALL CLAIMS, INCLUDING REASONABLE ATTORNEY'S FEES AND COSTS, BROUGHT BY THE LESSEE PARTIES AGAINST THEM ARISING FROM OR RELATED TO (i) SUBJECT TO PARAGRAPH 9 (a) ABOVE, AMOUNTS THAT EXCEED THE INSURANCE PROCEEDS, OR (ii) CONSEQUENTIAL DAMAGES.

(d) THE PROVISIONS OF THIS PARAGRAPH 9 SHALL SURVIVE INDEFINITELY THE TERMINATION OR EXPIRATION OF THE AGREEMENT.

10. Lessee warrants that:

(a) It will not use the Aircraft for the purpose of providing transportation of passengers or cargo in air commerce for compensation or hire, for any illegal purpose, or in violation of any insurance policies with respect to the Aircraft;

(b) It will refrain from incurring any mechanics, international interest, prospective international interest or other lien and shall not attempt to convey, mortgage, assign, lease or grant or obtain an international interest or prospective international interest or in any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien; and

(c) It will comply with all applicable laws, governmental and airport orders, rules, regulations, and Lessor's policies, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft under this Agreement.

11. For purposes of this Agreement, the permanent base of operation of the Aircraft shall be at a location of Lessor's sole discretion.

12. Lessee shall not assign this Agreement or its interest herein to any other person or entity without the prior written consent of Lessor, which may be granted or denied in Lessor's sole discretion. Subject to the preceding sentence, this Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective heirs, representatives, successors and assigns, and does not confer any rights on any other person. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof and supersedes any prior understandings and agreements between the parties respecting such subject matter. This Agreement may be amended or supplemented and any provision hereof waived only by a written instrument signed by all parties. The failure or delay on the part of any party to insist on strict performance of any of the terms and conditions of this Agreement or to exercise any rights or remedies hereunder shall not constitute a waiver of any such provisions, rights or remedies. This Agreement may be executed in counterparts, which shall, singly or in the aggregate, constitute a fully executed and binding Agreement.

13. Except as otherwise set forth in Section 4, any notices provided for in this Agreement shall be in writing and shall be deemed to have been duly given (i) when delivered personally, or (ii) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested). Notice to or consent by Lessor, shall be sent to c/o Chief Financial Officer, 663 Highway 60, Monett, MO 65708, and in the case of notice to or consent by Lessee, to David Foss with an address [REDACTED], or to such other address as a party may from time to time designate in writing to the other for that purpose.

14. If any one or more provisions of this Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall be unimpaired, and the invalid, illegal, or unenforceable provisions shall be replaced by a mutually acceptable provision, which, being valid, legal, and enforceable, comes closest to the intention of the parties underlying the invalid, illegal, or unenforceable provision. To the extent permitted by applicable law, the parties hereby waive any provision of law, which renders any provision of this Agreement prohibited or unenforceable in any respect.

15. This Agreement is entered into under, and is to be construed in accordance with, the laws of the State of Missouri, without reference to conflicts of laws.

[Remainder of Page Intentionally Left Blank]

16. TRUTH IN LEASING STATEMENT UNDER FAR SECTION 91.23

EACH OF THE FOLLOWING AIRCRAFT HAVE BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91 DURING THE 12 MONTH PERIOD PRECEDING THE DATE OF THIS LEASE

- AN EMBRAER EXECUTIVE AIRCRAFT, INC. MODEL EMB-505 AIRCRAFT, BEARING MANUFACTURER'S SERIAL NUMBER 50500138, CURRENTLY REGISTERED WITH THE FEDERAL AVIATION ADMINISTRATION AS N894JH;
- AN EMBRAER EXECUTIVE AIRCRAFT, INC. MODEL EMB-505 AIRCRAFT, BEARING MANUFACTURER'S SERIAL NUMBER 50500174, CURRENTLY REGISTERED WITH THE FEDERAL AVIATION ADMINISTRATION AS N895JH;
- AN EMBRAER EXECUTIVE AIRCRAFT, INC. MODEL EMB-505 AIRCRAFT, BEARING MANUFACTURER'S SERIAL NUMBER 50500215, CURRENTLY REGISTERED WITH THE FEDERAL AVIATION ADMINISTRATION AS N896JH;
- AN EMBRAER EXECUTIVE AIRCRAFT, INC. MODEL EMB-505 AIRCRAFT, BEARING MANUFACTURER'S SERIAL NUMBER 50500318, CURRENTLY REGISTERED WITH THE FEDERAL AVIATION ADMINISTRATION AS N897JH;

THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91 FOR OPERATIONS TO BE CONDUCTED UNDER THIS LEASE. DURING THE DURATION OF THIS LEASE, JACK HENRY AND ASSOCIATES, INC. OF 663 HIGHWAY 60, MONETT, MO 65708 IS CONSIDERED RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT UNDER THIS LEASE.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

THE "INSTRUCTIONS FOR COMPLIANCE WITH TRUTH IN LEASING REQUIREMENTS" ATTACHED HERETO ARE INCORPORATED HEREIN BY REFERENCE.

JACK HENRY AND ASSOCIATES, INC., THROUGH ITS UNDERSIGNED AUTHORIZED SIGNATORY BELOW, CERTIFIES THAT LESSOR IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT AND THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the date first above written.

LESSOR – JACK HENRY AND ASSOCIATES, INC.

By: _/s/ Kevin D. Williams_________
Name: __Kevin Williams__________
Title: __CFO & Treasurer___________

LESSEE – DAVID FOSS

By: _/s/ David Foss_________________

INSTRUCTIONS FOR COMPLIANCE WITH "TRUTH IN LEASING" REQUIREMENTS

1. Mail a copy of the Agreement to the following address via certified mail, return receipt requested, immediately upon execution of the Agreement (14 C.F.R. 91.23 requires that the copy be sent within twenty-four hours after it is signed):

   Federal Aviation Administration
   Aircraft Registration Branch
   ATTN: Technical Section
   P.O. Box 25724
   Oklahoma City, Oklahoma 73125

2. At least forty-eight hours prior to the first flight under this Agreement telephone or notify in person the responsible Flight Standards office of:

   i. The location of the airport of departure
   ii. The departure time; and
   iii. The registration number of the aircraft involved.

3. Carry a copy of the Agreement in the aircraft at all times.

EXHIBIT 31.1

CERTIFICATION

I, David B. Foss, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 controls 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: February 9, 2021

/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 quarterly report on Form 10-Q 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 controls 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: February 9, 2021

/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 Quarterly Report on Form 10-Q of the Company for the six month period ended December 31, 2020 (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: February 9, 2021

*/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 Quarterly Report on Form 10-Q of the Company for the six month period ended December 31, 2020 (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: February 9, 2021

*/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.