

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

FORM 10-K

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

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

For the fiscal year ended June 30, 2021

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

(State or Other Jurisdiction of Incorporation)

43-1128385

(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:

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging Growth Company

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

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

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

On December 31, 2020, the aggregate market value of the Common Stock held by persons other than those who may be deemed affiliates of Registrant was \$12,074,696,820 (based on the average of the reported high and low sales prices on Nasdaq on December 31, 2020).

As of August 13, 2021, the Registrant had 74,013,999 shares of Common Stock outstanding (\$0.01 par value).

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's Notice of Annual Meeting of Stockholders and Proxy Statement for its 2021 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III of this Report to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission ("SEC") within 120 days of the Company's fiscal year ended June 30, 2021.

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

#### **FORWARD LOOKING STATEMENTS**

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

## PART I

### ITEM 1. BUSINESS

Jack Henry & Associates, Inc. ("JKHY") was founded in 1976 as a provider of core information processing solutions for banks. Today, the Company's extensive array of products and services includes processing transactions, automating business processes, and managing information for nearly 8,400 financial institutions and diverse corporate entities.

JKHY provides its products and services through three primary business brands:

- **Jack Henry Banking** is a leading provider of integrated data processing systems to nearly 1,000 banks ranging from de novo to multi-billion-dollar institutions with assets of up to \$50 billion. The number of banks we serve has decreased in the last year due to acquisitions and mergers within the banking industry, which are discussed further under the heading "Industry Background" in this Item 1. Our banking solutions support both on-premise and private cloud operating environments with three functionally distinct core processing platforms and more than 140 integrated complementary solutions.
- **Symitar** is a leading provider of core data processing solutions for credit unions of all sizes, with over 700 credit union customers. Symitar markets one flagship core processing platform and more than 100 integrated complementary solutions that support both on-premise and private cloud operating environments.
- **ProfitStars** is a leading provider of highly specialized core agnostic products and services for financial institutions. ProfitStars' more than 100 integrated complementary solutions offer highly specialized financial performance, imaging and payments processing, information security and risk management, retail delivery, and online and mobile solutions. ProfitStars' products and services enhance the performance of traditional financial services organizations of all asset sizes and charters, and non-traditional diverse corporate entities with over 8,300 customers, comprised of over 1,600 of our core customers included in our bank and credit union customers listed above, as well as nearly 6,700 non-core customers.

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

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

We also focus on establishing long-term customer relationships, continually expanding and strengthening those relationships with cross sales of additional products and services, earning new traditional and nontraditional clients, and ensuring each product offering is highly competitive.

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

JKHY's progress and performance have been guided by the focused work ethic and fundamental ideals fostered by the Company's founders 45 years ago:

- Do the right thing,
- Do whatever it takes, and
- Have fun.

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

#### COVID-19 Impact and Response

Since its outbreak in early 2020, COVID-19 has rapidly spread and continues to represent a public health concern. The health, safety, and well-being of our employees and customers is of paramount importance to us. In March

2020, we established an internal task force composed of executive officers and other members of management to frequently assess updates to the COVID-19 situation and recommend Company actions. We offered remote working as a recommended option to employees whose job duties allowed them to work off-site and we suspended all non-essential business travel. This company-wide recommendation extended until July 1, 2021, at which point we began transition to a return to our facilities and normalization of travel activities. Individual decisions on returning to the office were manager-coordinated and based on conversations with specific teams and departments. A large number of our employees requested to remain fully remote or participate in a hybrid approach where they would split their time between remote and in-person working. We have not required employees who return to our facilities to receive vaccinations, but we have provided information on vaccine providers, as well as hosted on-site COVID-19 vaccination clinics at several of our facilities for our employees and their families. On August 3, 2021, we reimplemented our company-wide recommendation for remote work and are encouraging a cautious approach to business travel based on the spread of the Delta variant and increased infection rates. For those employees who are at our facilities, we have introduced enhanced sanitation procedures and we require face masks for both vaccinated and unvaccinated employees. As of August 13, 2021, the majority of our employees were continuing to work remotely either full time or in a hybrid capacity.

#### *Customers*

We work closely with our customers who are scheduled for on-site visits to ensure their needs are met while taking necessary safety precautions when our employees are required to be at a customer site. Delays of customer system installations due to COVID-19 have been limited, and we have developed processes to handle remote installations when available. We expect these processes to provide flexibility and value both during and after the COVID-19 pandemic. Even though a substantial portion of our workforce has worked remotely during the outbreak and business travel has been 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 without materially impacting our business.

#### *Financial impact*

Despite the changes and restrictions caused by COVID-19, the overall financial and operational impact on our business has been limited and our liquidity, balance sheet, and business trends remain strong. We experienced positive operating cash flows during fiscal 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, including the onset of variants of the virus; 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. For a further discussion of the uncertainties and risks associated with COVID-19, see Part II, Item 1A "Risk Factors" in this Annual Report on Form 10-K.

#### **Industry Background**

Jack Henry Banking primarily serves commercial banks and savings institutions with up to \$50 billion in assets. According to the Federal Deposit Insurance Corporation ("FDIC"), there were approximately 4,950 commercial banks and savings institutions in this asset range as of December 31, 2020. Jack Henry Banking currently supports nearly 1,000 of these banks with its core information processing platforms and complementary products and services.

Symitar serves credit unions of all asset sizes. According to the Credit Union National Association ("CUNA"), there were more than 5,200 domestic credit unions as of December 31, 2020. Symitar currently supports over 700 of these credit unions with core information processing platforms and complementary products and services.

ProfitStars serves financial services organizations of all asset sizes and charters and other diverse corporate entities. ProfitStars currently supports over 8,300 institutions with specialized solutions for generating additional revenue and growth, increasing security, mitigating operational risks, and controlling operating costs.

The FDIC reports the number of commercial banks and savings institutions declined 19% from the beginning of calendar year 2015 to the end of calendar year 2020, due mainly to mergers. Although the number of banks declined at a 4% compound annual rate during this period, aggregate assets increased at a compound annual rate of 7.0% and totaled \$20.5 trillion as of December 31, 2020. There were six new bank charters issued in calendar year 2020, compared to thirteen in the 2019 calendar year. Comparing calendar years 2020 to 2019, the number of mergers decreased 54%.

CUNA reports the number of credit unions declined 15% from the beginning of calendar year 2015 to the end of calendar year 2020. Although the number of credit unions declined at a 3% compound annual rate during this period, aggregate assets increased at a compound annual rate of 9% and totaled \$1.9 trillion as of December 31, 2020.

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

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

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

#### **Mission Statement**

Our mission is to provide quality solutions and industry-leading service to our customers while fostering our culture that is personally, professionally, and financially rewarding to our employees and increasing the value of our stockholders' investments.

#### **Business Strategy**

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

- Providing commercial banks and credit unions with core operating systems that provide excellent functionality and support on-premise and private cloud delivery environments with identical functionality.
- Expanding each core customer relationship by cross-selling complementary products and services that enhance the functionality provided by our core information processing systems.
- Providing highly specialized core agnostic complementary products and services to financial institutions, including institutions not utilizing a Jack Henry core operating system, and diverse corporate entities.
- Maintaining a company-wide commitment to customer service that consistently exceeds our customers' expectations and generates high levels of customer retention.
- Capitalizing on our acquisition strategy.

#### **Acquisition Strategy**

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

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

We have completed three acquisitions in the last 3 years. After 45 years in business, we have very few gaps in our product line, so it is increasingly difficult to find proven products or services that would enable our clients and prospects to better optimize their business opportunities or solve specific operational issues. In addition, we see few acquisition opportunities that would expand our market or enable our entry into adjacent markets within the financial services industry that are fairly priced or that we could assimilate into our company without material distractions.

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

Our most recent acquisitions were:

<b>Fiscal Year</b>	<b>Company or Product Name</b>	<b>Products and Services</b>
2020	DebtFolio, Inc. ("Geezeo")	Provider of technology solutions and next-generation financial management capabilities primarily for the financial services industry
2019	BOLTS Technologies, Inc. ("BOLTS")	Developer of boltsOPEN, a digital account opening solution
2019	Agiletics, Inc. ("Agiletics")	Provider of escrow, investment, and liquidity management solutions for banks serving commercial customers

## Solutions

Our proprietary solutions are marketed through three primary business brands:

- **Jack Henry Banking** supports commercial banks with information and transaction processing platforms that provide enterprise-wide automation. We have three functionally distinct core bank processing systems and more than 140 fully integrated complementary solutions, including business intelligence and bank management, retail and business banking, digital and mobile internet banking and electronic payment solutions, risk management and protection, and item and document imaging solutions. Our banking solutions have state-of-the-art functional capabilities, and we can re-market the hardware required by on-premise use of each software system. Our banking solutions can be delivered on-premise or through our private cloud delivery model and are backed by a company-wide commitment to provide exceptional personal service. Jack Henry Banking is a recognized market leader, currently supporting nearly 1,000 banks with its technology platforms.
- **Symitar** supports credit unions of all sizes with an information and transaction processing platform that provides enterprise-wide automation. Our solution includes one flagship core processing system and more than 100 fully integrated complementary solutions, including business intelligence and credit union management, member and member business services, digital and mobile internet banking and electronic payment solutions, risk management and protection, and item and document imaging solutions. Our credit union solution also has state-of-the-art functional capabilities. We also re-market the hardware required by on-premise use of the software system. Our credit union solution can be delivered on-premise or through our private cloud delivery model, and is backed by our company-wide commitment to provide exceptional personal service. Symitar currently supports over 700 credit union customers.
- **ProfitStars** is a leading provider of specialized products and services assembled primarily through our focused diversification acquisition strategy. These core agnostic solutions are compatible with a wide variety of information technology platforms and operating environments and offer more than 100 fully-integrated complementary solutions, including proven solutions for generating additional revenue and growth, increasing security and mitigating operational risks, and/or controlling operating costs. ProfitStars' products and services enhance the performance of financial services organizations of all asset sizes and charters, and diverse corporate entities. Profitstars has over 8,300 customers, including nearly 6,700 non-core customers. These distinct products and services can be implemented individually or as solution suites to address specific business problems or needs and enable effective responses to dynamic industry trends.

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

## Core Software Systems

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

Jack Henry Banking markets three core software systems to banks and Symitar markets one core software system to credit unions. These core systems are available for on-premise installation at customer sites, or financial institutions can choose to leverage our private cloud environment for ongoing information processing.

Jack Henry Banking's three core banking platforms are:

- **SilverLake®**, a robust system primarily designed for commercial-focused banks with assets ranging from \$500 million to \$50 billion. Some progressive smaller banks and de novo (start-up) banks also select SilverLake. This system is in use by over 400 banks, and now automates over 8% of the domestic banks with assets less than \$50 billion.
- **CIF 20/20®**, a parameter-driven, easy-to-use system that now supports approximately 360 banks ranging from de novo institutions to those with assets of \$3 billion.
- **Core Director®**, a cost-efficient system with point-and-click operation that now supports nearly 200 banks ranging from de novo institutions to those with assets of \$2 billion.

Symitar's core credit union platform is:

- **Episys®**, a robust system designed specifically for credit unions. It has been implemented by over 700 credit unions with assets ranging from \$3 million to \$25 billion, and according to National Credit Union Administration data, is the system implemented by more credit unions with assets exceeding \$25 million than any other alternative core system.

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

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

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

## Complementary Products and Services

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

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

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

and manages the introduction of new product offerings. JKHY's new complementary products and services are developed internally, acquired, or provided through strategic alliances.

### **Implementation and Training**

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

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

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

### **Support and Services**

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

- Exacting service standards;
- Trained support staff available 24 hours a day, 365 days a year;
- Assigned account managers;
- Sophisticated support tools, resources, and technology;
- Broad experience converting diverse banks and credit unions to our core platforms from every competitive platform;
- Highly effective change management and control processes; and
- A best practices methodology developed and refined through the company-wide, day-to-day experience supporting nearly 8,400 diverse clients.

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

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

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

### **Hardware Systems**

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

### **Digital Products and Services**

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

### **Electronic Payment Solutions**

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

Jack Henry identifies four components of Electronic Payment Solutions:

- **Card Services** provides a comprehensive suite of Automated Teller Machine ("ATM"), debit/credit card transaction processing and fraud management solutions. The card processing solutions include loyalty/rewards, fraud detection, cardholder alert and controls, and other key components that are fully integrated with JKHY's core and complementary solutions.
- **Bill Pay and Mobile** banking platforms are offered through our iPay and Banno product offerings. iPay offers iPay Business Bill Pay™, a full suite of online financial management solutions designed to meet the distinct needs of small businesses, as well as iPay Consumer Bill Pay™, a solution that supports single or recurring payments, allows customers to receive full bills electronically, and easily integrates with any internet banking provider. Banno Mobile™ offers a native mobile banking application for both iOS and Android that offers innovative and cost-effective mobile services that can be marketed with customer's own brand identity. It allows customers to aggregate all of their account balances and transactional data from multiple financial institutions and empowers them with the convenience of anytime, anywhere account access.
- **Faster Payments** includes the development of JHA PayCenter, a payments hub that provides streamlined, secure payment capabilities for sending and receiving transactions instantly 24 hours a day, 365 days a year, through JKHY's core and complementary solutions with direct connections to both Zelle and Real Time Payments ("RTP") real-time networks with plans to accommodate the Federal Reserve's network in 2023.
- **Processing/Other** includes Enterprise Payment Solutions ("EPS"), a comprehensive payments engine and one of the leading total payments solutions on the market today. EPS offers an integrated suite of remote deposit capture, ACH and card transaction processing solutions, risk management tools, reporting capabilities, and more for financial institutions of all sizes. EPS helps financial institutions succeed in today's competitive market to increase revenue, improve efficiencies, better manage compliance, and enhance customer relationships. Furthermore, Commercial Lending Solutions help financial institutions securely transition from a traditional lending portfolio (focused on real estate-based consumer lending) to a more fully diversified portfolio developed via commercial and industrial lending. Our solutions also provide reliable ways to retain creditworthy business customers facing financial hurdles, while mitigating the risk of loan loss.

### **Research and Development**

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

Research and development expenses for fiscal 2021, 2020, and 2019 were \$109.0 million, \$110.0 million, and \$96.4 million, respectively. We recorded capitalized software in fiscal 2021, 2020, and 2019 of \$128.3 million, \$117.3 million, and \$111.1 million, respectively.

### **Sales and Marketing**

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

The marketing and sales initiatives within the Jack Henry Banking and Symitar business lines are primarily focused on identifying banks and credit unions evaluating alternative core information and transaction processing solutions.

ProfitStars sells specialized core agnostic niche solutions that complement existing technology platforms to domestic financial services organizations of all asset sizes and charters.

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

JKHY has sold select products and services primarily in Latin America and the Caribbean and Canada. International sales accounted for less than 1% of JKHY's total revenue in the fiscal 2021, 2020, and 2019.

### **Competition**

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

Jack Henry Banking and Symitar compete with large vendors that provide information and transaction processing solutions to banks and credit unions, including Fidelity National Information Services, Inc.; Fiserv, Inc.; and Finastra. ProfitStars competes with an array of disparate vendors that provide niche solutions to financial services organizations and corporate entities.

### **Intellectual Property, Patents, and Trademarks**

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

### **Regulatory Compliance**

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

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

Internal audits of our systems, networks, operations, business recovery plans, and applications are conducted and specialized outside firms are periodically engaged to perform testing and validation of our systems, processes,

plans and security. The FFIEC conducts annual reviews throughout the Company and issues a Report of Examination. The Board of Directors provides oversight of these activities through the Risk and Compliance Committee and the Audit Committee.

### **Government Regulation**

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

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

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

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

### **Information Security**

We are committed to the protection and security of the sensitive information contained on our systems and accessed through our products and services. Because threats to information security pose risks to our business and to our customers, we proactively make strategic investments in security and the infrastructure and procedural controls for our systems. These investments enable a comprehensive set of security controls that are maintained and tested on a consistent basis. Additional third-party reviews are performed throughout the organization, such as Payment Card Industry-Data Security Standard assessments, state and federal regulatory examinations, intrusion tests, and System and Organizations Controls ("SOC") 1 or SOC 2 reports. The Board of Directors provides oversight of these activities through the Risk and Compliance Committee and the Audit Committee.

### **Human Capital**

#### *Our Employees*

As of June 30, 2021, we had 6,714 full-time employees. Our employees are not covered by a collective bargaining agreement and there have been no labor-related work stoppages.

#### *Talent Attraction and Engagement*

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

Beyond nondiscrimination compliance, we are committed to fostering a respectful, diverse, and inclusive workplace in which all individuals are treated with respect and dignity. In 2020, our President and Chief Executive Officer, David Foss, signed the CEO Action for Diversity and Inclusion Pledge, joining nearly 2,000 other chief executives and presidents who have made a pledge to act on supporting a more inclusive workplace for employees, communities, and society at large.

We actively engage our Business Innovation Groups (“BIGs”) to develop attraction and retention practices that exemplify and advance a diverse, equitable, and inclusive culture. Our BIGs are company-sponsored and employee-driven groups open to all employees. As of June 30, 2021, we had approximately 1,600 unique associates participating in six active BIGs, with five focused on inclusion for specific communities—women, people of color, remote associates, LGBTQ+, and veterans— and one focused on environmental and sustainability topics. While BIGs allow associates to connect and support each other, they also function to address bona fide business problems. For example, these groups work with executive leadership to actively improve our talent attraction processes for prospective employees. They also provide education, training, and conversation opportunities to all employees to advance diversity, inclusion, understanding, and innovation throughout the Company.

We seek to actively listen to our employees throughout the year using a defined listening strategy designed to gather regular feedback on well-being, engagement, leadership, culture and values, and other top of mind topics. These surveys allow us to respond to employee concerns, benefit from employee perspectives, and better design and develop processes to support our Company culture. Employees can learn about changes through our quarterly employee update videos or all-employee town hall meetings delivered by senior management. Based on periodic monitoring, we believe our voluntary attrition rate is low compared to competitive benchmarks. We believe our strong retention rate demonstrates healthy engagement by our employees.

#### *Training and Development*

Our success depends not only on attracting and retaining talented employees, but also in developing our current employees and providing new opportunities for their growth. We offer our employees numerous live and on-demand training programs and resources to help them build knowledge and improve skills. These trainings include mandatory programs, such as security awareness, as well as recommended but optional programs, such as a recent training on mitigating unconscious bias that received a high level of participation and led many of our employees to take a personal pledge to support inclusion in the workplace. Self-developer weeks specifically allow employees the opportunity to sign-up for curated courses covering topics such as technology trends and JKHY products and services. Through our BIGs, we also offer opportunities for employees to advance their knowledge of diversity, equity, and inclusion matters.

Recognizing the importance of mentoring in career development, we host an internal mentorship marketplace, which allows prospective mentors and mentees to connect and self-initiate a mentoring relationship. We also provide an internal mobility marketplace, which offers career coaching and tools for employees to create personalized development plans and build peer connections. In fiscal 2020, we launched a targeted, four-week leadership development initiative for over 100 women at JKHY to address barriers to advancing in leadership roles they commonly encounter.

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

#### *Wellness and Safety*

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

In response to the COVID-19 pandemic, we made impactful changes to our benefits program, including waiving all out-of-pocket expenses associated with COVID-19 for employees or dependents covered under Jack Henry’s medical plans. We also shifted to a predominantly remote workforce to ensure the continued safety of our employees, clients, and communities. For more information on our COVID-19 response, see “COVID-19 Impact and Response” above.

## Available Information

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

## ITEM 1A. RISK FACTORS

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

### ***Business and Operating Risks***

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

We are also subject to the risk that our employees may intercept and transmit unauthorized confidential or proprietary information or that employee corporate-owned computers are stolen or customer data media is lost in shipment. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a customer or third party could result in legal liability, remediation costs, regulatory action and reputational harm, any of which could adversely affect our results of operations and financial condition. Under state, federal and foreign laws requiring consumer notification of security breaches, the costs to remediate security breaches can be substantial. Although we believe our security controls and infrastructure are adequate to protect our systems and data, we cannot be certain that these efforts will be sufficient to combat all current and future technological risks and threats. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may render our security measures inadequate. Security risks may result in liability to our customers or other third parties, damage to our reputation, and may deter financial institutions from purchasing our products. The significant amount of capital and other resources we currently expend to protect against the threat of security breaches may prove insufficient to prevent a breach. We cannot ensure that any limitation-of-liability provisions in our customer and user agreements, contracts with third-party vendors or other contracts are sufficient to protect us from liabilities or damages with respect to claims relating to a security breach or similar matters. The insurance coverage we maintain to address data security risks may be insufficient to cover all types of claims or losses that may arise, and there is not assurance that such insurance coverage will continue to be available to us on economically reasonable terms, or at all. In the event of a security breach we may need to spend substantial additional capital and resources alleviating problems caused by such breach. Addressing security problems may result in interruptions, delays or cessation of service to users, any of which could harm our business.

**Failure to maintain sufficient technological infrastructure or an operational failure in our outsourcing facilities could expose us to damage claims, increase regulatory scrutiny and cause us to lose customers.** Our products and services require substantial investments in technological infrastructure, and we have experienced significant growth in the number of users, transactions and data that our technological infrastructure supports. If we fail to adequately invest in and support our technological infrastructure and processing capacity, we may not be able to support our customers' processing needs and may be more susceptible to interruptions and delays in services. Damage or destruction that interrupts our outsourcing operations could cause delays and failures in customer processing which could hurt our relationship with customers, damage our reputation, expose us to damage claims, and cause us to incur substantial additional expense to relocate operations and repair or replace damaged equipment. Our back-up systems and procedures may not prevent disruption, such as a prolonged interruption of our transaction processing services. In the event that an interruption extends for more than several hours, we may experience data loss or a reduction in revenues by reason of such interruption. Any significant interruption of service could reduce revenue, have a negative impact on our reputation, result in damage claims, lead our present and potential customers to choose other service providers, and lead to increased regulatory scrutiny of the critical services we provide to financial institutions, with resulting increases in compliance burdens and costs. Implementing modifications and upgrades to our technological infrastructure subject us to inherent costs and risks associated with changing systems, policies, procedures and monitoring tools.

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

**Failures of third-party service providers we rely upon could lead to financial loss.** We rely on third party service providers to support key portions of our operations. We also rely on third party service providers to provide part or all of certain services we deliver to customers. While we have selected these third-party vendors carefully, we do not control their actions. A failure of these services by a third party could have a material impact upon our delivery of services to customers. Such a failure could lead to damage claims, loss of customers, and reputational harm, depending on the duration and severity of the failure. Third parties perform significant operational services on our behalf. These third-party vendors are subject to similar risks as us relating to cybersecurity, breakdowns or failures of their own systems or employees. One or more of our vendors may experience a cybersecurity event or operational disruption and, if any such event does occur, it may not be adequately addressed, either operationally or financially, by the third-party vendor. Certain of our vendors may have limited indemnification obligations or may not have the financial capacity to satisfy their indemnification obligations. If a critical vendor is unable to meet our needs in a timely manner or if the services or products provided by such a vendor are terminated or otherwise delayed and if we are not able to develop alternative sources for these services and products quickly and cost-effectively, our customers could be negatively impacted and it could have a material adverse effect on our business.

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

**Failure to achieve favorable renewals of service contracts could negatively affect our business.** Our contracts with our customers for outsourced data processing and electronic payment transaction processing services generally run for a period of seven or more years. We will continue to experience a significant number of these contracts coming up for renewal each year. Renewal time presents our customers with the opportunity to consider other providers or to renegotiate their contracts with us, including reducing the services we provide or negotiating the prices paid for our services. If we are not successful in achieving high renewal rates upon favorable terms, or if inflation or costs outpace our contractual ability to adjust pricing during our contractual terms, our revenues and profit margins will suffer.

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

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

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

#### ***Regulatory and Compliance Risks***

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

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

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

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

#### ***Economic Conditions Risks***

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

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

**Consolidation and failures of financial institutions will continue to reduce the number of our customers and potential customers.** Our primary market consists of approximately 4,950 commercial and savings banks and more than 5,200 credit unions. The number of commercial banks and credit unions in the United States has experienced a steady decrease over recent decades due to mergers and acquisitions and financial failures and we expect this trend to continue as more consolidation occurs. Such events may reduce the number of our current and potential customers, which could negatively impact our results of operations.

#### ***Acquisition Risks***

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

**Acquisitions subject us to risks and may be costly and difficult to integrate.** Acquisitions are difficult to evaluate, and our due diligence may not identify all potential liabilities or valuation issues. We may also be subject to risks related to cybersecurity incidents or vulnerabilities of the acquired company and the acquired systems. We may not be able to successfully integrate acquired companies. We may encounter problems with the integration of new businesses, including: financial control and computer system compatibility; unanticipated costs and liabilities; unanticipated quality or customer problems with acquired products or services; differing regulatory and industry standards; diversion of management's attention; adverse effects on existing business relationships with suppliers and customers; loss of key employees; and significant depreciation and amortization expenses related to acquired assets. To finance future acquisitions, we may have to increase our borrowing or sell equity or debt securities to the public. If we fail to integrate our acquisitions, our business, financial condition and results of operations could be materially and adversely affected. Failed acquisitions could also produce material and unpredictable impairment charges as we review our acquired assets.

#### ***Intellectual Property Risks***

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

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

#### ***General Risk Factors***

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

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

**The impairment of a significant portion of our goodwill and intangible assets would adversely affect our results of operations.** Our balance sheet includes goodwill and intangible assets that represent a significant portion of our total assets at June 30, 2021. On an annual basis, and whenever circumstances require, we review our goodwill and intangible assets for impairment. If the carrying value of a material asset is determined to be impaired, it will be written down to fair value by a charge to operating earnings. An impairment of a significant portion of our goodwill or intangible assets could have a material negative effect on our operating results.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

We own 154 acres located in Monett, Missouri on which we maintain eight office buildings, plus shipping and receiving, security, and maintenance buildings. We also own buildings in Allen, Texas; Albuquerque, New Mexico; Birmingham, Alabama; Lenexa, Kansas; Angola, Indiana; Shawnee Mission, Kansas; Oklahoma City, Oklahoma; Springfield, Missouri and San Diego, California. Our owned facilities represent approximately 906,000 square feet of office space in eight states. We have 38 leased office facilities in 24 states, which total approximately 730,000 square feet. All of our owned and leased office facilities are for normal business purposes.

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

**ITEM 3. LEGAL PROCEEDINGS**

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

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The Company's common stock is quoted on the Nasdaq Global Select Market ("Nasdaq") under the symbol "JKHY".

The Company established a practice of paying quarterly dividends at the end of fiscal 1990 and has paid dividends with respect to every quarter since that time. The declaration and payment of any future dividends will continue to be at the discretion of our Board of Directors and will depend upon, among other factors, our earnings, capital requirements, contractual restrictions, and operating and financial condition. The Company does not currently foresee any changes in its dividend practices.

On July 20, 2021, there were approximately 232,300 holders of the Company's common stock, including individual participants in security position listings.

**Issuer Purchases of Equity Securities**

The following shares of the Company were repurchased during the quarter ended June 30, 2021:

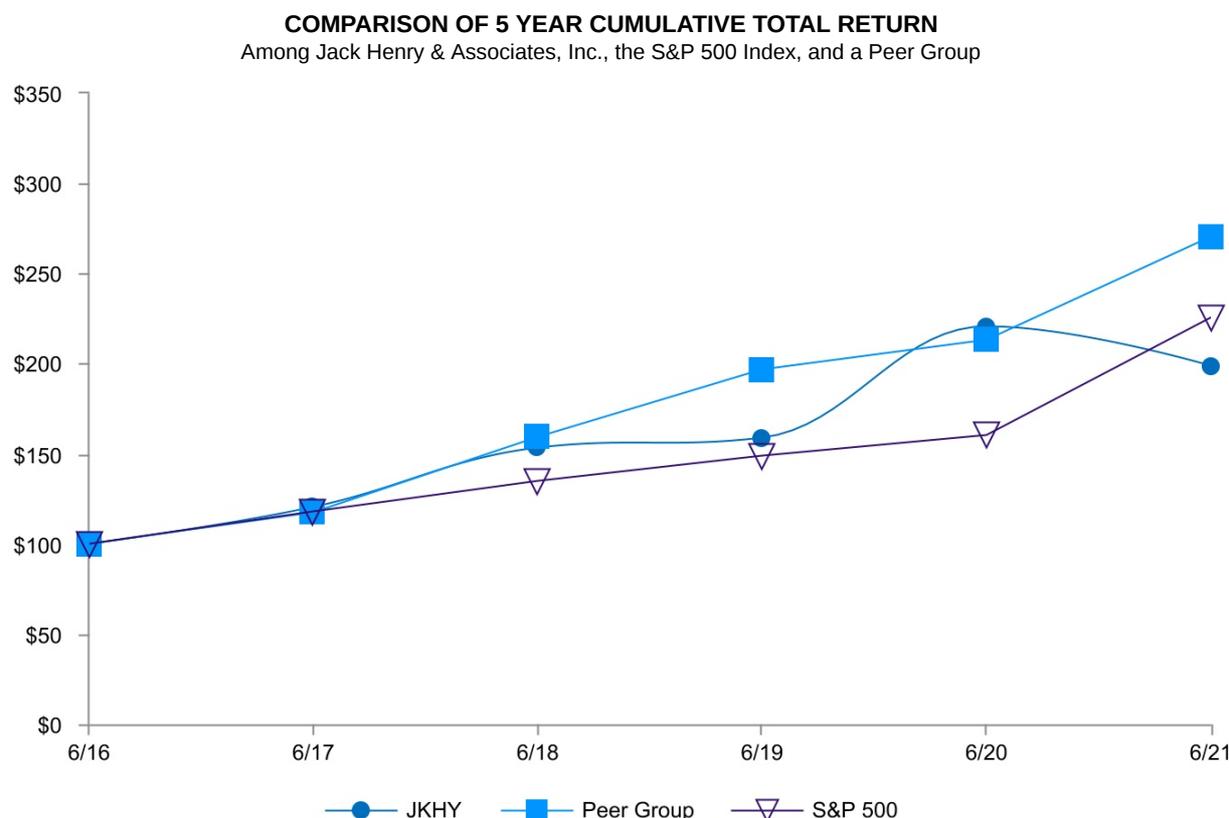
	<b>Total Number of Shares Purchased <sup>(1)</sup></b>	<b>Average Price of Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans <sup>(1)</sup></b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans <sup>(2)</sup></b>
<b>April 1- April 30, 2021</b>	—	\$ —	—	497,713
<b>May 1- May 31, 2021</b>	300,000	\$ 157.17	300,000	5,197,713
<b>June 1- June 30, 2021</b>	—	\$ —	—	5,197,713
<b>Total</b>	<b>300,000</b>	<b>\$ 157.17</b>	<b>300,000</b>	<b>5,197,713</b>

<sup>(1)</sup>300,000 shares were purchased through a publicly announced repurchase plan. There were no shares surrendered to the Company to satisfy tax withholding obligations in connection with employee restricted stock awards.

<sup>(2)</sup> Total stock repurchase authorizations approved by the Company's Board of Directors as of May 17, 2021 were for 35.0 million shares, which includes an authorization on that date of an additional 5.0 million shares. These authorizations have no specific dollar or share price targets and no expiration dates.

## Performance Graph

The following chart presents a comparison for the five-year period ended June 30, 2021, of the market performance of the Company's common stock with the Standard & Poor's 500 ("S&P 500") Index and an index of peer companies selected by the Company. Historic stock price performance is not necessarily indicative of future stock price performance.



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

	2016	2017	2018	2019	2020	2021
<b>JKHY</b>	100.00	120.54	153.10	159.01	220.83	198.45
<b>Peer Group</b>	100.00	117.44	159.43	196.84	213.37	270.60
<b>S&amp;P 500</b>	100.00	117.90	134.84	148.89	160.06	225.36

This comparison assumes \$100 was invested on June 30, 2016 and assumes reinvestments of dividends. Total returns are calculated according to market capitalization of peer group members at the beginning of each period. Peer companies selected are in the business of providing specialized computer software, hardware and related services to financial institutions and other businesses.

Companies in the 2021 fiscal peer group are ACI Worldwide Inc.; Black Knight, Inc.; Bottomline Technologies (de) Inc.; Broadridge Financial Solutions Inc.; Euronet Worldwide Inc.; ExlService Holdings Inc.; Fair Isaac Corp.; Fidelity National Information Services Inc.; Fiserv Inc.; Fleetcor Technologies Inc.; Global Payments Inc.; Square Inc.; SS&C Technologies Holdings Inc.; Tyler Technologies Inc.; Verint Systems Inc.; and WEX Inc. Cardtronics, plc and CoreLogic, Inc. were originally part of the fiscal 2021 peer group, but both were acquired in fiscal 2021. As a result, both companies were removed from the 2021 peer group and stock performance graph.

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

**ITEM 6. [RESERVED]**

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following section provides management's view of the Company's financial condition and results of operations and should be read in conjunction with the audited consolidated financial statements, and related notes included elsewhere in this report. All dollar and share amounts, except per share amounts, are in thousands and discussions compare fiscal 2021 to fiscal 2020. Discussions of fiscal 2019 items and comparisons between fiscal 2019 and fiscal 2020 that are not included in this Form 10-K can be found in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020.

**OVERVIEW**

Jack Henry & Associates, Inc. is headquartered in Monett, Missouri, employs approximately 6,800 full-time and part-time associates nationwide, and is a leading provider of technology solutions and payment processing services primarily for financial services organizations. Its solutions serve nearly 8,400 customers and are marketed and supported through three primary brands. Jack Henry Banking® is a leading provider of integrated data processing systems solutions to U.S. banks ranging from de novo to multi-billion-dollar institutions with assets up to \$50 billion. Symitar® is a leading provider of core data processing solutions for credit unions of all sizes. ProfitStars® provides highly specialized core agnostic products and services that enable financial institutions of every asset size and charter, and diverse corporate entities outside the financial services industry, to mitigate and control risks, optimize revenue and growth opportunities, and contain costs. JKHY's integrated solutions are available for on-premise installation and delivery in our private cloud.

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

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

We believe our primary competitive advantage is customer service. Our support infrastructure and strict standards provide service levels we believe to be the highest in the markets we serve and generate high levels of customer satisfaction and retention. We consistently measure customer satisfaction using comprehensive annual surveys and randomly generated daily surveys we receive in our everyday business. Dedicated surveys are also used to grade specific aspects of our customer experience, including product implementation, education, and consulting services.

Our two primary revenue streams are "services and support" and "processing." Services and support includes: "private and public cloud" fees (formerly known as "outsourcing and cloud" fees - see Note 2 to the consolidated financial statements) that predominantly have contract terms of seven years or longer at inception; "product delivery and services" revenue, which includes revenue from the sales of licenses, implementation services, deconversion fees, consulting, and hardware; and "on-premise support" revenue (formerly known as "in-house support" revenue - see Note 2 to the consolidated financial statements), composed of maintenance fees which primarily contain annual contract terms. Processing revenue includes: "remittance" revenue from payment processing, remote capture, and ACH transactions; "card" fees, including card transaction processing and monthly fees; and "transaction and digital" revenue, which includes transaction and mobile processing fees. We continually seek opportunities to increase revenue while at the same time containing costs to expand margins.

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

**COVID-19 Impact and Response**

Since its outbreak in early 2020, COVID-19 has rapidly spread and continues to represent a public health concern. The health, safety, and well-being of our employees and customers is of paramount importance to us. In March

2020, we established an internal task force composed of executive officers and other members of management to frequently assess updates to the COVID-19 situation and recommend Company actions. We offered remote working as a recommended option to employees whose job duties allowed them to work off-site and we suspended all non-essential business travel. This company-wide recommendation extended until July 1, 2021, at which point we began transition to a return to our facilities and normalization of travel activities. Individual decisions on returning to the office were manager-coordinated and based on conversations with specific teams and departments. A large number of our employees requested to remain fully remote or participate in a hybrid approach where they would split their time between remote and in-person working. We have not required employees who return to our facilities to receive vaccinations, but we have provided information on vaccine providers, as well as hosted on-site COVID-19 vaccination clinics at several of our facilities for our employees and their families. On August 3, 2021, we reimplemented our company-wide recommendation for remote work and are encouraging a cautious approach to business travel based on the spread of the Delta variant and increased infection rates. For those employees who are at our facilities, we have introduced enhanced sanitation procedures and we require face masks for both vaccinated and unvaccinated employees. As of August 13, 2021, the majority of our employees were continuing to work remotely either full time or in a hybrid capacity.

#### *Customers*

We work closely with our customers who are scheduled for on-site visits to ensure their needs are met while taking necessary safety precautions when our employees are required to be at a customer site. Delays of customer system installations due to COVID-19 have been limited, and we have developed processes to handle remote installations when available. We expect these processes to provide flexibility and value both during and after the COVID-19 pandemic. Even though a substantial portion of our workforce has worked remotely during the outbreak and business travel has been 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 without materially impacting our business.

#### *Financial impact*

Despite the changes and restrictions caused by COVID-19, the overall financial and operational impact on our business has been limited and our liquidity, balance sheet, and business trends remain strong. We experienced positive operating cash flows during fiscal 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, including the onset of variants of the virus; 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. For a further discussion of the uncertainties and risks associated with COVID-19, see Part II, Item 1A "Risk Factors" in this Annual Report on Form 10-K.

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

### **RESULTS OF OPERATIONS**

#### **FISCAL 2021 COMPARED TO FISCAL 2020**

In fiscal 2021, total revenue increased 4% or \$61,158, compared to fiscal 2020. Reducing total revenue for the effects of deconversion fees of \$20,635 for the current fiscal year and \$53,914 for the prior fiscal year, and for revenue from acquisitions and divestitures in fiscal 2021 of \$9 and in fiscal 2020 of \$3,574, results in a 6% increase, or \$98,002. This increase was primarily driven by growth in card processing, data processing and hosting fee, Jack Henry digital and remittance fee, and software usage fee revenues, partially offset by lower hardware revenues and decreased pass-through billable travel and user group expenses year over year due to COVID-19 travel limitations (see "COVID-19 Impact and Response" above).

Operating expenses increased 3% in fiscal 2021 compared to fiscal 2020, primarily due to higher costs related to our card payment processing platform associated with corresponding increases in revenue, higher personnel costs, and increased operating licenses and fees, partially offset by more capitalized costs related to research and development, travel expense savings as a result of COVID-19 travel limitations (see "COVID-19 Impact and Response" above), the gain on sale of assets this fiscal year compared to the loss last fiscal year, and lower hardware costs associated with a corresponding decrease in revenues.

We move into fiscal 2022 following strong performance in fiscal 2021. Significant portions of our business continue to provide recurring revenue and our sales pipeline is also encouraging. Our customers continue to face regulatory and operational challenges which our products and services address, and in these times, they have an even greater need for our solutions that directly address institutional profitability, efficiency, and security. We believe our strong balance sheet, access to extensive lines of credit, the strength of our existing product line and an unwavering commitment to superior customer service position us well to address current and future opportunities.

A detailed discussion of the major components of the results of operations for the fiscal year ended June 30, 2021 follows.

## REVENUE

### Services and Support Revenue

	Year Ended June 30,		% <u>Change</u>
	<u>2021</u>	<u>2020</u>	
Services and support	\$ 1,048,206	\$ 1,051,451	— %
Percentage of total revenue	60 %	62 %	

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

In the fiscal year ended June 30, 2021, services and support revenue remained consistent compared to the prior fiscal year. Reducing total services and support revenue by the effects of deconversion fees for each year, which totaled \$20,635 in fiscal 2021 and \$53,914 in fiscal 2020, and for revenue from acquisitions and divestitures in fiscal 2020 of \$3,572, revenue grew 3%. This increase was primarily driven by higher private and public cloud revenue resulting from organic growth in data processing and hosting fee revenue reflecting a continuing shift of customers to our term license model. Growth in software usage revenue also contributed to the increase. Decreased pass-through expenses due to COVID-19 travel limitations (see "COVID-19 Impact and Response" above) and lower hardware revenues partially offset revenue increases.

### Processing Revenue

	Year Ended June 30,		% <u>Change</u>
	<u>2021</u>	<u>2020</u>	
Processing	\$ 710,019	\$ 645,616	10 %
Percentage of total revenue	40 %	38 %	

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

Processing revenue increased 10% for the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020, with strong organic growth in the card, transaction and digital, and remittance revenue components primarily due to expanding volumes.

## OPERATING EXPENSES

### Cost of Revenue

	Year Ended June 30,		% <u>Change</u>
	<u>2021</u>	<u>2020</u>	
Cost of revenue	\$ 1,063,399	\$ 1,008,464	5 %
Percentage of total revenue	60 %	59 %	

Cost of revenue for fiscal 2021 increased 5% compared to fiscal 2020. Reducing total cost of revenue for the effects of deconversion fees from each year, which totaled \$1,425 in fiscal 2021 and \$4,055 in fiscal 2020, and for the effects of acquisitions, divestitures, and gain/loss of \$123 in the current fiscal year and \$2,151 in the prior fiscal year, cost of revenue increased 6%. This increase was driven by higher direct costs associated with our card processing platform in correlation with related revenue increases; higher personnel costs and operating licenses and fees, partially offset by savings realized from travel limitations due to COVID-19 (see "COVID-19 Impact and

Response" above) and lower hardware costs corresponding with decreased hardware revenue. Cost of revenue increased 1% as a percentage of total revenue for fiscal 2021 compared to fiscal 2020.

### Research and Development

	Year Ended June 30,		%
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Research and development	\$ 109,047	\$ 109,988	(1)%
Percentage of total revenue	6 %	6 %	

We devote significant effort and expense to develop new software, service products and continually upgrade and enhance our existing offerings. We believe our research and development efforts are highly efficient because of the extensive experience of our research and development staff and because our product development is highly customer driven.

Research and development expenses for fiscal 2021 decreased 1% compared to fiscal 2020. The decrease was primarily due to higher capitalized research and development costs partially offset by an increase in personnel costs. The consistency of this expense category for the fiscal years presented reflected our continuing commitment to the development of strategic products. Research and development expense remained consistent as a percentage of total revenue for fiscal 2021 and fiscal 2020.

### Selling, General, and Administrative

	Year Ended June 30,		%
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Selling, general, and administrative	\$ 187,060	\$ 197,988	(6)%
Percentage of total revenue	11 %	12 %	

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

Selling, general, and administrative expenses for fiscal 2021 decreased 6% compared to fiscal 2020. Reducing total selling, general, and administrative expense for the effects of deconversion fees from each year, which totaled \$489 in fiscal 2021 and \$973 in fiscal 2020, and for the effects of acquisitions, divestitures, and gain/loss of \$(1,950) for the current fiscal year and of \$4,893 for the prior fiscal year, selling, general, and administrative expense decreased 2% compared to fiscal 2020. This decrease was primarily due to travel expense and other savings as a result of COVID-19 travel limitations partially offset by increased personnel costs. COVID-19 related savings included our national sales meeting, Jack Henry Annual Conference, and Symitar Education Conference being held virtually during the current fiscal year (see "COVID-19 Impact and Response" above). Selling, general, and administrative expense decreased 1% as a percentage of total revenue for fiscal 2021 compared to fiscal 2020.

### INTEREST INCOME AND EXPENSE

	Year Ended June 30,		%
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Interest income	\$ 150	\$ 1,137	(87)%
Interest expense	\$ (1,144)	\$ (688)	66 %

Interest income fluctuated due to changes in invested balances and yields on invested balances. Interest expense increased in fiscal 2021 mainly due to the timing and amounts of borrowed balances.

### PROVISION/ (BENEFIT) FOR INCOME TAXES

	Year Ended June 30,		%
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Provision/ (Benefit) for income taxes	\$ 86,256	\$ 84,408	2 %
Effective rate	21.7 %	22.1 %	

The decrease in the Company's effective tax rate in fiscal 2021 compared to fiscal 2020 was primarily due to a greater benefit in the current fiscal year related to stock-based compensation.

**NET INCOME**

	Year Ended June 30,		%
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Net income	\$ 311,469	\$ 296,668	5 %
Diluted earnings per share	\$ 4.12	\$ 3.86	7 %

Net income grew 5% to \$311,469, or \$4.12 per diluted share, in fiscal 2021 from \$296,668, or \$3.86 per diluted share, in fiscal 2020. The diluted earnings per share increase year over year was 7%. Growth in net income and earnings per share was primarily due to the organic growth in our lines of revenue in fiscal 2021 compared to fiscal 2020 and expense savings from COVID-19 related impacts in the current fiscal year (see "COVID-19 Impact and Response" above).

**REPORTABLE SEGMENT DISCUSSION**

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

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

During the second quarter of fiscal 2021, Jack Henry's call center was consolidated into the Complementary segment. As a result of this consolidation, immaterial adjustments were made during fiscal 2021 to reclassify related revenue and costs recognized during the fiscal years ended June 30, 2020 and 2019 from the Core to the Complementary segment. The total related revenue reclassified was \$20,797 for fiscal 2020 and \$13,515 for fiscal 2019. The total related cost of revenue reclassified was \$12,386 for fiscal 2020 and \$8,513 for fiscal 2019.

**Core**

	<u>2021</u>	% Change	<u>2020</u>
Revenue	\$ 564,096	— %	\$ 561,369
Cost of Revenue	\$ 247,285	3 %	\$ 240,492

In fiscal 2021, revenue in the Core segment remained consistent compared to fiscal 2020. Reducing total Core revenue by the effects of deconversion fees from both years, which totaled \$7,458 in fiscal 2021 and \$25,536 in fiscal 2020, and for revenue from acquisitions and divestitures in fiscal 2020 of \$3,574, Core segment revenue increased 5%. This increase was primarily driven by organic increases in our private and public cloud revenue. Cost of revenue in the Core segment increased 3% for fiscal 2021 compared to fiscal 2020 primarily due to increased costs associated with the organic growth in cloud revenue. Cost of revenue increased 1% as a percentage of revenue for fiscal 2021 compared to fiscal 2020.

**Payments**

	<u>2021</u>	% Change	<u>2020</u>
Revenue	\$ 642,308	7 %	\$ 597,693
Cost of Revenue	\$ 353,581	11 %	\$ 319,739

In fiscal 2021, revenue in the Payments segment increased 7% compared to fiscal 2020. Reducing total Payments revenue by the effects of deconversion fees from both years, which totaled \$6,285 in fiscal 2021 and \$15,411 in fiscal 2020, Payments segment revenue increased 9%. This increase was primarily driven by organic growth within card processing and remittance fee revenues. Cost of revenue in the Payments segment increased 11% for fiscal 2021 compared to fiscal 2020 primarily due to increased costs associated with our card processing platform and

other costs related to the organic growth in card processing and remittance fees. Cost of revenue increased 1.5% as a percentage of revenue for fiscal 2021 compared to fiscal 2020.

### Complementary

	2021	% Change	2020
Revenue	\$ 505,928	4 %	\$ 484,146
Cost of Revenue	\$ 212,627	4 %	\$ 203,963

Revenue in the Complementary segment increased 4% for fiscal 2021 compared to fiscal 2020. Reducing total Complementary revenue by the effects of deconversion fees from both years, which totaled \$6,778 in fiscal 2021 and \$12,536 in fiscal 2020, and for revenue from acquisitions and divestitures of \$9 from fiscal 2021, Complementary segment revenue increased 6%. This increase was driven by organic increases in our private and public cloud revenue, Jack Henry digital, and on-premise support revenues. Cost of revenue in the Complementary segment increased 4% for fiscal 2021 compared to fiscal 2020, primarily due to increased personnel costs and amortization expense mainly related to capitalized software. Cost of revenue remained consistent as a percentage of revenue for fiscal 2021 compared to fiscal 2020.

### Corporate and Other

	2021	% Change	2020
Revenue	\$ 45,893	(15)%	\$ 53,859
Cost of Revenue	\$ 249,906	2 %	\$ 244,270

Revenue in the Corporate and Other segment decreased 15% for fiscal 2021 compared to fiscal 2020. The decrease was mainly due to decreased hardware revenue and lower pass-through user group revenue due to COVID-19 limitations (see "COVID-19 Impact and Response" above).

Cost of revenue for the Corporate and Other segment includes operating costs not directly attributable to any of the other three segments and increased 2% for fiscal 2021 compared to fiscal 2020. The increased cost of revenue was primarily related to increased licenses and fees and personnel costs, partially offset by lower hardware costs associated with the decrease in hardware revenue.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents decreased to \$50,992 at June 30, 2021 from \$213,345 at June 30, 2020. Cash was lower at the end of fiscal 2021 compared to the end of fiscal 2020 primarily due to the increase in net cash used in financing activities, including an increase in the purchase of treasury stock of approximately \$360,000 and the decrease in cash provided by operating activities, including lower deconversion fees collected of approximately \$22,000 or about 61% year over year. Decreases in cash were partially offset by an increase in credit facility borrowings and a decrease in cash used in investing activities, including a 57% decrease in capital expenditures and a decrease in cash used for acquisitions year over year.

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

	Year Ended June 30,	
	2021	2020
Net income	\$ 311,469	\$ 296,668
Non-cash expenses	211,266	218,004
Change in receivables	(6,112)	10,540
Change in deferred revenue	6,541	(4,871)
Change in other assets and liabilities	(61,035)	(9,809)
Net cash provided by operating activities	\$ 462,129	\$ 510,532

Cash provided by operating activities for fiscal 2021 decreased 9% compared to fiscal 2020. Cash from operations is primarily used to repay debt, pay dividends and repurchase stock, and for capital expenditures.

Cash used in investing activities for fiscal 2021 totaled \$162,250 and included: \$128,343 for the ongoing enhancements and development of existing and new product and service offerings; capital expenditures on facilities and equipment of \$22,988, mainly for the purchase of computer equipment; \$2,300 for asset acquisitions; \$6,506

for the purchase and development of internal use software; and \$13,300 for purchase of investments. This was partially offset by \$6,187 of proceeds from asset sales and \$5,000 of proceeds from investment maturities.

Cash used in investing activities for fiscal 2020 totaled \$197,906 and included: \$117,262 for the ongoing enhancements and development of existing and new product and service offerings; capital expenditures on facilities and equipment of \$53,538, mainly for the purchase of computer equipment; \$30,376, net of cash acquired, for the purchases of Geezeo; \$6,710 for the purchase and development of internal use software; and \$1,150 for the purchase of investments. These expenditures were partially offset by \$11,130 of proceeds from the sale of assets.

Financing activities used cash of \$462,232 for fiscal 2021 and included \$431,529 for the purchase of treasury shares and \$133,800 for dividends paid to stockholders. These expenditures were partially offset by \$3,211 of net cash inflow related to stock-based compensation and borrowings and repayments on our revolving credit facility which netted to a borrowing of \$100,000.

Financing activities used cash in fiscal 2020 of \$192,909 and included \$127,421 for dividends paid to stockholders and \$71,549 for the purchase of treasury shares. These expenditures were partially offset by \$6,094 of net cash inflow related to stock-based compensation. Borrowings and repayments on our revolving credit facility netted to zero at June 30, 2020.

### **Capital Requirements and Resources**

The Company generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures totaling \$22,988 and \$53,538 for fiscal years ended June 30, 2021 and June 30, 2020, respectively, were made primarily for additional equipment and the improvement of existing facilities. These additions were funded from cash generated by operations. At June 30, 2021, the Company had no significant outstanding purchase commitments related to property and equipment. The COVID-19 pandemic has created significant uncertainty as to general global economic and market conditions for the beginning of our fiscal 2022 and beyond. We believe we have adequate capital resources and sufficient access to external financing sources to satisfy our current and reasonably anticipated requirements for funds to conduct our operations and meet other needs in the ordinary course of our business. However, as the impact of the COVID-19 pandemic on the economy and our operations evolves, we will continue to assess our liquidity needs.

At June 30, 2021, the Company had contractual obligations of \$1,179,284, including operating lease obligations and \$1,112,731 related to off-balance sheet purchase obligations. Included in off-balance sheet purchase obligations were open purchase orders of \$84,736 and a strategic services agreement entered into by JKHY in fiscal 2017 with First Data® and PSCU® to provide full-service debit and credit card processing on a single platform to all existing core bank and credit union customers, as well as to expand our card processing platform to financial institutions outside our core customer base. This agreement and subsequent amendments include a total purchase commitment at June 30, 2021 of \$1,027,995 over the remaining term of the contract, which currently extends until January 2036, subject to certain renewal terms. Contractual obligations exclude \$9,942 of liabilities for uncertain tax positions as we are unable to reasonably estimate the ultimate amount or timing of settlement.

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or short-term borrowings on its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At June 30, 2021, there were 29,793 shares in treasury stock and the Company had the remaining authority to repurchase up to 5,198 additional shares. The total cost of treasury shares at June 30, 2021 was \$1,613,202. During fiscal 2021, the Company repurchased 2,800 treasury shares for \$431,529. 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 U.S. Bank prime rate for such day, (iii) the sum of the Federal Funds Effective Rate for such day plus 0.50% and (iv) the eurocurrency rate for a one-month interest period on such day for dollars plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The credit facility is guaranteed by certain subsidiaries of the Company and is subject to various financial covenants that require the Company to maintain certain financial ratios as defined in the credit facility agreement. As of June 30, 2021, the Company was in compliance with all such covenants. The revolving credit facility terminates February 10, 2025. There was a \$100,000 outstanding balance under the credit facility at June 30, 2021 and no outstanding balance under this credit facility at June 30, 2020.

The Company also terminated its prior unsecured credit agreement on February 10, 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 modified in March 2021 to extend the expiration to April 30, 2023. There was no balance outstanding at June 30, 2021 or June 30, 2020.

## **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 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 to the consolidated financial statements).

### ***Not Adopted at Fiscal Year End***

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 is effective for the Company on July 1, 2021. The Company adopted ASU 2019-12 effective July 1, 2021 and the adoption did not have a material impact on its consolidated financial statements.

## **CRITICAL ACCOUNTING ESTIMATES**

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

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

### **Revenue Recognition**

We generate revenue from data processing, transaction processing, software licensing and related services, professional services, and hardware sales.

#### *Significant Judgments in Application of the Guidance*

##### *Identification of Performance Obligations*

We enter into contracts with customers that may include multiple types of goods and services. At contract inception, we assess the solutions and services promised in our contracts with customers and identify a performance

obligation for each promise to transfer to the customer a solution or service (or bundle of solutions or services) that is distinct - that is, if the solution or service is separately identifiable from other items in the arrangement and if the customer can benefit from the solution or service on its own or together with other resources that are readily available. Significant judgment is used in the identification and accounting for all performance obligations. We recognize revenue when or as we satisfy each performance obligation by transferring control of a solution or service to the customer.

#### *Determination of Transaction Price*

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

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

#### *Allocation of Transaction Price*

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

#### *Contract Costs*

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

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

#### **Depreciation and Amortization Expense**

The calculation of depreciation and amortization expense is based on the estimated economic lives of the underlying property, plant and equipment and intangible assets, which have been examined for their useful life and determined that no impairment exists. We believe it is unlikely that any significant changes to the useful lives of our tangible and intangible assets will occur in the near term, but rapid changes in technology or changes in market conditions could result in revisions to such estimates that could materially affect the carrying value of these assets and our future consolidated operating results. For long-lived assets, we consider whether any impairment indicators are present. If impairment indicators are identified, we test the recoverability of the long-lived assets. If this recoverability test is failed, we determine the fair value of the long-lived assets and recognize an impairment loss if the fair value is less than its carrying value.

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

We capitalize certain costs incurred to develop commercial software products. For software that is to be sold, significant areas of judgment include: establishing when technological feasibility has been met and costs should be capitalized, determining the appropriate period over which to amortize the capitalized costs based on the estimated useful lives, estimating the marketability of the commercial software products and related future revenues, and assessing the unamortized cost balances for impairment. Costs incurred prior to establishing technological feasibility are expensed as incurred. Amortization begins on the date of general release and the appropriate amortization period is based on estimates of future revenues from sales of the products. We consider various factors to project marketability and future revenues, including an assessment of alternative solutions or products, current and historical demand for the product, and anticipated changes in technology that may make the product obsolete.

For internal use software, capitalization begins at the beginning of application development. Costs incurred prior to this are expensed as incurred. Significant estimates and assumptions include determining the appropriate

amortization period based on the estimated useful life and assessing the unamortized cost balances for impairment. Amortization begins on the date the software is placed in service and the amortization period is based on estimated useful life.

A significant change in an estimate related to one or more software products could result in a material change to our results of operations.

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

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

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

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

As goodwill is not amortized, goodwill balances are regularly assessed for potential impairment. Such assessments include a qualitative assessment of factors that may indicate a potential for impairment, such as: macroeconomic conditions, industry and market changes, our overall financial performance, changes in share price, and an assessment of other events or changes in circumstances that could negatively impact us. If that qualitative assessment indicates a potential for impairment, a quantitative assessment is then required, including an analysis of future cash flow projections as well as a determination of an appropriate discount rate to calculate present values. Cash flow projections are based on management-approved estimates, which involve the input of numerous Company professionals from finance, operations and program management. Key factors used in estimating future cash flows include assessments of labor and other direct costs on existing contracts, estimates of overhead costs and other indirect costs, and assessments of new business prospects and projected win rates. Our most recent assessment indicates that no reporting units are currently at risk of impairment as the fair value of each reporting unit is significantly in excess of the carrying value. However, significant changes in the estimates and assumptions used in purchase accounting and goodwill impairment testing could have a material effect on the consolidated financial statements.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

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

We have \$100 million outstanding debt with variable interest rates as of June 30, 2021 and a 1% increase in our borrowing rate would increase our annual interest expense by \$1 million.

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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**Financial Statement Schedules**

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

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Jack Henry & Associates, Inc. and its subsidiaries (the "Company") as of June 30, 2021 and 2020, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

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

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

## Critical Audit Matters

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

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

As discussed in Notes 1 and 2 to the consolidated financial statements, the Company recorded revenue of \$1.758 billion for the year ended June 30, 2021. The Company enters into contracts with its customers, which frequently contain multiple performance obligations and variable contract consideration. The amount of revenue recognized is based on the consideration the Company expects to receive in exchange for transferring goods and services to the customer. The Company's contracts with its customers frequently contain some component of variable consideration. Management estimates variable consideration in its contract primarily using the expected value method, based on both historical and current information. Where appropriate, the Company may constrain the estimated variable consideration included in the transaction price in the event of a high degree of uncertainty as to the final consideration amount. At contract inception, management assesses the solutions and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a solution or service (or bundle of solutions or services) that is distinct - that is, if the solution or service is separately identifiable from other items in the arrangement and if the customer can benefit from the solution or service on its own or together with other resources that are readily available. The Company recognizes revenue when or as it satisfies each performance obligation by transferring control of a solution or service to the customer. Significant judgment in revenue recognition for these customer contracts include, where relevant, (i) the estimation of variable consideration, principally, the varying volume of transactional activity over long-term contracts, and (ii) the identification of and accounting for all performance obligations.

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

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

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri  
August 25, 2021

We have served as the Company's auditor since 2015.

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

The management of Jack Henry & Associates, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(e). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with U.S. GAAP.

The Company's internal control over financial reporting includes policies and procedures pertaining to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company; provide reasonable assurance transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements. All internal controls, no matter how well designed, have inherent limitations. Therefore, even where internal control over financial reporting is determined to be effective, it can provide only reasonable assurance. Projections of any evaluation of effectiveness to future periods are subject to the risk controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

As of June 30, 2021, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded the Company's internal control over financial reporting as of June 30, 2021 was effective.

The Company's internal control over financial reporting as of June 30, 2021 has been audited by the Company's independent registered public accounting firm, as stated in their report appearing in this Item 8.

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

	Year Ended June 30,		
	2021	2020	2019
<b>REVENUE</b>	<b>\$ 1,758,225</b>	<b>\$ 1,697,067</b>	<b>\$ 1,552,691</b>
<b>EXPENSES</b>			
Cost of Revenue	1,063,399	1,008,464	923,030
Research and Development	109,047	109,988	96,378
Selling, General, and Administrative	187,060	197,988	185,998
<b>Total Expenses</b>	<b>1,359,506</b>	<b>1,316,440</b>	<b>1,205,406</b>
<b>OPERATING INCOME</b>	<b>398,719</b>	<b>380,627</b>	<b>347,285</b>
<b>INTEREST INCOME (EXPENSE)</b>			
Interest Income	150	1,137	876
Interest Expense	(1,144)	(688)	(926)
<b>Total Interest Income (Expense)</b>	<b>(994)</b>	<b>449</b>	<b>(50)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>397,725</b>	<b>381,076</b>	<b>347,235</b>
<b>PROVISION/ (BENEFIT) FOR INCOME TAXES</b>	<b>86,256</b>	<b>84,408</b>	<b>75,350</b>
<b>NET INCOME</b>	<b>\$ 311,469</b>	<b>\$ 296,668</b>	<b>\$ 271,885</b>
Basic earnings per share	\$ 4.12	\$ 3.86	\$ 3.52
Basic weighted average shares outstanding	75,546	76,787	77,160
Diluted earnings per share	\$ 4.12	\$ 3.86	\$ 3.52
Diluted weighted average shares outstanding	75,658	76,934	77,347

See notes to consolidated financial statements

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

	June 30, 2021	June 30, 2020
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 50,992	\$ 213,345
Receivables, net	306,564	300,945
Income tax receivable	30,243	21,051
Prepaid expenses and other	109,723	95,525
Deferred costs	46,215	38,235
<b>Total current assets</b>	<b>543,737</b>	<b>669,101</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>252,481</b>	<b>273,432</b>
<b>OTHER ASSETS:</b>		
Non-current deferred costs	127,205	113,525
Computer software, net of amortization	368,094	340,466
Other non-current assets	249,210	220,591
Customer relationships, net of amortization	81,842	95,108
Other intangible assets, net of amortization	26,129	29,917
Goodwill	687,458	686,334
<b>Total other assets</b>	<b>1,539,938</b>	<b>1,485,941</b>
<b>Total assets</b>	<b>\$ 2,336,156</b>	<b>\$ 2,428,474</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 18,485	\$ 9,880
Accrued expenses	182,517	166,689
Notes payable and current maturities of long-term debt	110	115
Deferred revenues	319,748	318,161
<b>Total current liabilities</b>	<b>520,860</b>	<b>494,845</b>
<b>LONG-TERM LIABILITIES:</b>		
Non-current deferred revenues	75,852	71,461
Deferred income tax liability	260,758	243,998
Debt, net of current maturities	100,083	208
Other long-term liabilities	59,311	68,274
<b>Total long-term liabilities</b>	<b>496,004</b>	<b>383,941</b>
<b>Total liabilities</b>	<b>1,016,864</b>	<b>878,786</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock - \$1 par value; 500,000 shares authorized, none issued	—	—
Common stock - \$0.01 par value; 250,000,000 shares authorized; 103,795,169 shares issued at June 30, 2021; 103,622,563 shares issued at June 30, 2020	1,038	1,036
Additional paid-in capital	518,960	495,005
Retained earnings	2,412,496	2,235,320
Less treasury stock at cost 29,792,903 shares at June 30, 2021; 26,992,903 shares at June 30, 2020	(1,613,202)	(1,181,673)
<b>Total stockholders' equity</b>	<b>1,319,292</b>	<b>1,549,688</b>
<b>Total liabilities and equity</b>	<b>\$ 2,336,156</b>	<b>\$ 2,428,474</b>

See notes to consolidated financial statements

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

	Year Ended June 30,		
	2021	2020	2019
<b>PREFERRED SHARES:</b>	—	—	—
<b>COMMON SHARES:</b>			
Shares, beginning of year	103,622,563	103,496,026	103,278,562
Shares issued for equity-based payment arrangements	92,747	52,336	141,071
Shares issued for Employee Stock Purchase Plan	79,859	74,201	76,393
Shares, end of year	103,795,169	103,622,563	103,496,026
<b>COMMON STOCK - PAR VALUE \$0.01 PER SHARE:</b>			
Balance, beginning of year	\$ 1,036	\$ 1,035	\$ 1,033
Shares issued for equity-based payment arrangements	1	—	1
Shares issued for Employee Stock Purchase Plan	1	1	1
Balance, end of year	\$ 1,038	\$ 1,036	\$ 1,035
<b>ADDITIONAL PAID-IN CAPITAL:</b>			
Balance, beginning of year	\$ 495,005	\$ 472,029	\$ 464,138
Shares issued for equity-based payment arrangements	(1)	—	235
Tax withholding related to share based compensation	(7,720)	(3,739)	(13,972)
Shares issued for Employee Stock Purchase Plan	10,930	9,832	9,039
Stock-based compensation expense	20,746	16,883	12,589
Balance, end of year	\$ 518,960	\$ 495,005	\$ 472,029
<b>RETAINED EARNINGS:</b>			
Balance, beginning of year	\$ 2,235,320	\$ 2,066,073	\$ 1,912,933
Cumulative effect of ASU 2016-13 adoption	(493)	—	—
Net income	311,469	296,668	271,885
Dividends	(133,800)	(127,421)	(118,745)
Balance, end of year	\$ 2,412,496	\$ 2,235,320	\$ 2,066,073
<b>TREASURY STOCK:</b>			
Balance, beginning of year	\$ (1,181,673)	\$ (1,110,124)	\$ (1,055,260)
Purchase of treasury shares	(431,529)	(71,549)	(54,864)
Balance, end of year	\$ (1,613,202)	\$ (1,181,673)	\$ (1,110,124)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 1,319,292</b>	<b>\$ 1,549,688</b>	<b>\$ 1,429,013</b>
Dividends declared per share	\$ 1.78	\$ 1.66	\$ 1.54

See notes to consolidated financial statements.

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

	Year Ended June 30,		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Income	\$ 311,469	\$ 296,668	\$ 271,885
Adjustments to reconcile net income from operations to net cash from operating activities:			
Depreciation	52,515	52,206	47,378
Amortization	123,233	119,599	113,255
Change in deferred income taxes	16,760	24,581	7,604
Expense for stock-based compensation	20,746	16,883	12,589
(Gain)/loss on disposal of assets and businesses	(1,988)	4,735	161
Changes in operating assets and liabilities:			
Change in receivables	(6,112)	10,540	(11,777)
Change in prepaid expenses, deferred costs and other	(57,059)	(25,759)	(62,165)
Change in accounts payable	(94)	(47)	(7,526)
Change in accrued expenses	7,045	19,720	31,889
Change in income taxes	(10,927)	(3,723)	4,179
Change in deferred revenues	6,541	(4,871)	23,656
<b>Net cash from operating activities</b>	<b>462,129</b>	<b>510,532</b>	<b>431,128</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payment for acquisitions, net of cash acquired	(2,300)	(30,376)	(19,981)
Capital expenditures	(22,988)	(53,538)	(53,598)
Proceeds from the sale of assets	6,187	11,130	127
Customer contracts acquired	—	—	(20)
Purchased software	(6,506)	(6,710)	(6,049)
Computer software developed	(128,343)	(117,262)	(111,114)
Proceeds from investments	5,000	—	—
Purchase of investments	(13,300)	(1,150)	—
<b>Net cash from investing activities</b>	<b>(162,250)</b>	<b>(197,906)</b>	<b>(190,635)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Borrowings on credit facilities	200,000	55,000	35,000
Repayments on credit facilities and financing leases	(100,114)	(55,033)	(35,000)
Purchase of treasury stock	(431,529)	(71,549)	(54,864)
Dividends paid	(133,800)	(127,421)	(118,745)
Proceeds from issuance of common stock upon exercise of stock options	1	—	237
Tax withholding payments related to share based compensation	(7,721)	(3,739)	(13,973)
Proceeds from sale of common stock	10,931	9,833	9,040
<b>Net cash from financing activities</b>	<b>(462,232)</b>	<b>(192,909)</b>	<b>(178,305)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (162,353)</b>	<b>\$ 119,717</b>	<b>\$ 62,188</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>\$ 213,345</b>	<b>\$ 93,628</b>	<b>\$ 31,440</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 50,992</b>	<b>\$ 213,345</b>	<b>\$ 93,628</b>

See notes to consolidated financial statements

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

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

DESCRIPTION OF THE COMPANY

Jack Henry & Associates, Inc. and subsidiaries ("Jack Henry," "JKHY," or the "Company") is a leading provider of technology solutions and payment processing services primarily for the financial services industry. The Company has developed and acquired a number of banking and credit union software systems. The Company's revenues are predominately earned by marketing those systems to financial institutions nationwide by providing the conversion and implementation services for financial institutions to utilize JKHY systems, and by providing payment processing other related services. JKHY also provides continuing support and services to customers using on-premise or JKHY cloud-based systems.

CONSOLIDATION

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

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Risks and Uncertainties*

The novel coronavirus ("COVID-19") pandemic adversely impacted global economic activity and contributed to significant volatility in financial markets during 2020 and in 2021 year to date.

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 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 and for its fiscal year ended June 30, 2021 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, 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.

REVENUE RECOGNITION

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

*Significant Judgments in Application of the Guidance*

*Identification of Performance Obligations*

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

#### *Determination of Transaction Price*

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

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

#### *Allocation of Transaction Price*

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

#### COMPUTER SOFTWARE DEVELOPMENT

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

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

#### CASH EQUIVALENTS

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

#### ACCOUNTS RECEIVABLE

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

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

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

	Year Ended June 30, 2021	
Allowance for credit losses - beginning balance	\$	6,719
Cumulative effect of accounting standards update adoption		493
Current provision for expected credit losses		2,130
Write-offs charged against allowance		(2,070)
Recoveries of amounts previously written off		(3)
Other		(3)
<b>Allowance for credit losses - ending balance</b>	<b>\$</b>	<b>7,266</b>

#### PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

#### PURCHASE OF INVESTMENT

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

#### COMPREHENSIVE INCOME

Comprehensive income for each of the fiscal years ending June 30, 2021, 2020, and 2019 equals the Company's net income.

#### REPORTABLE SEGMENT INFORMATION

In accordance with U.S. GAAP, the Company's operations are classified as four reportable segments: Core, Payments, Complementary, and Corporate and Other (see Note 14). Substantially all the Company's revenues are derived from operations and assets located within the United States of America.

#### COMMON STOCK

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or short-term borrowings on its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At June 30, 2021, there were 29,793 shares in treasury stock and the Company had the remaining authority to repurchase up to 5,198 additional shares of its common stock. The total cost of treasury shares at June 30, 2021 was \$1,613,202. During fiscal 2021, the Company repurchased 2,800 shares of its common stock for \$431,529 to be held in 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 of its common stock.

#### EARNINGS PER SHARE

Per share information is based on the weighted average number of common shares outstanding during the year. Stock options and restricted stock have been included in the calculation of income per diluted share to the extent

they are dilutive. The difference between basic and diluted weighted average shares outstanding is the dilutive effect of outstanding stock options and restricted stock (see Note 11).

#### INCOME TAXES

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

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based upon the technical merits of the position. The tax benefit recognized in the financial statements from such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Also, interest and penalties expense are recognized on the full amount of unrecognized benefits for uncertain tax positions. The Company's policy is to include interest and penalties related to unrecognized tax benefits in income tax expense.

#### RECENT ACCOUNTING PRONOUNCEMENTS

##### ***Recently Adopted Accounting Guidance***

In 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 consolidated financial statements.

In June 2016, the FASB issued 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 Adopted at Fiscal Year End***

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

#### NOTE 2. REVENUE AND DEFERRED COSTS

##### **Revenue Recognition**

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

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

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

##### *Processing*

Processing revenue is generated from transaction-based fees for electronic deposit and payment services, electronic funds transfers and debit and credit card processing. The Company's arrangements for these services typically require the Company to "stand-ready" to provide specific services on a when and if needed basis by processing an unspecified number of transactions over the contractual term. The fees for these services may be fixed or variable (based upon performing an unspecified quantity of services), and pricing may include tiered pricing structures. Amounts of revenue allocated to these services are recognized as those services are performed.

Customers are typically billed monthly for transactions processed during the month. The Company evaluates tiered pricing to determine if a material right exists. If, after that evaluation, it determines a material right does exist, it assigns value to the material right based upon standalone selling price after estimation of breakage associated with the material right.

*Private and Public Cloud (formerly Outsourcing and Cloud)*

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

*Product Delivery and Services*

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

*On-Premise Support (formerly In-House Support)*

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

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

**Disaggregation of Revenue**

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

	Year Ended June 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Private and Public Cloud	\$ 504,548	\$ 464,066	\$ 405,359
Product Delivery and Services	208,856	259,110	231,982
On-Premise Support	334,802	328,275	321,148
<b>Services and Support</b>	<b>1,048,206</b>	<b>1,051,451</b>	<b>958,489</b>
<b>Processing</b>	<b>710,019</b>	<b>645,616</b>	<b>594,202</b>
<b>Total Revenue</b>	<b>\$ 1,758,225</b>	<b>\$ 1,697,067</b>	<b>\$ 1,552,691</b>

**Contract Balances**

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

	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
Receivables, net	\$ 306,564	\$ 300,945
Contract Assets- Current	22,884	21,609
Contract Assets- Non-current	52,920	54,293
Contract Liabilities (Deferred Revenue)- Current	319,748	318,161
Contract Liabilities (Deferred Revenue)- Non-current	75,852	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 consolidated balance sheet, and the non-current portion is included in other non-current assets. Contract liabilities (deferred revenue) primarily relate to consideration received from customers in advance of delivery of the related goods and services to the customer. Contract balances are reported in a net contract asset or liability position on a contract-by-contract basis at the end of each reporting period.

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

For the fiscal years ended June 30, 2021, 2020, and 2019, the Company recognized revenue of \$252,017, \$259,887, and \$265,946, respectively, that was included in the corresponding deferred revenue balance at the beginning of the periods.

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

**Transaction Price Allocated to Remaining Performance Obligations**

As of June 30, 2021, 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 \$4,635,611. The Company expects to recognize approximately 28% 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 \$314,807 and \$271,010, at June 30, 2021 and 2020, respectively.

During the fiscal years ended June 30, 2021, 2020, and 2019, amortization of deferred contract costs totaled \$122,143, \$117,763, and \$110,894, respectively. There were no impairment losses in relation to capitalized costs for the periods presented.

### NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

For cash equivalents, certificates of deposit, amounts receivable or payable, and short-term borrowings, fair values approximate carrying value, based on the short-term nature of the assets and liabilities.

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

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

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

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

Fair value of financial assets included in current assets is as follows:

	Estimated Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
<b>June 30, 2021</b>				
Financial Assets:				
Certificates of Deposit	\$ —	\$ 1,200	\$ —	\$ 1,200
Financial Liabilities:				
Revolving credit facility	\$ —	\$ 100,000	\$ —	\$ 100,000
<b>June 30, 2020</b>				
Financial Assets:				
Certificates of Deposit	\$ —	\$ —	\$ —	\$ —
Financial Liabilities:				
Revolving credit facility	\$ —	\$ —	\$ —	\$ —

### NOTE 4. LEASES

The Company adopted ASU 2016-02 and its related amendments (collectively known as "ASC 842") on July 1, 2019 using the optional transition method in ASU 2018-11. Therefore, the reported results for the fiscal year ended June 30, 2021 and 2020 reflect the application of ASC 842 while the reported results for the year ended June 30, 2019 were not adjusted and continue to be reported under the accounting guidance, ASC 840, *Leases* ("ASC 840"), in effect for that fiscal year.

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

transition guidance within ASU 2016-02 to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs.

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

The Company leases certain office space, data centers and equipment. The Company's leases have remaining terms of 1 to 12 years. Certain leases contain renewal options for varying periods, which are at the Company's sole discretion. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company's ROU assets and lease liabilities. Certain leases require the Company to pay taxes, insurance, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the lease liability to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred. Certain leases include options to purchase the leased asset at the end of the lease term, which is assessed as a part of the Company's lease classification determination. The depreciable life of the ROU asset and leasehold improvements are limited by the expected lease term unless the Company is reasonably certain of a transfer of title or purchase option.

At June 30, 2021 and 2020, the Company had operating lease assets of \$55,977 and \$63,948 and financing lease assets of \$188 and \$318, respectively. At June 30, 2021, total operating lease liabilities of \$60,828 were comprised of current operating lease liabilities of \$11,460 and noncurrent operating lease liabilities of \$49,368, and total financing lease liabilities of \$193 were comprised of current financing lease liabilities of \$110 and noncurrent financing lease liabilities of \$83. 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 with accrued expenses (current portion) and other long-term liabilities (noncurrent portion) in the Company's consolidated balance sheet. Operating lease assets were recorded net of accumulated amortization of \$23,813 and \$13,719 as of June 30, 2021 and 2020. Financing lease assets are included within property and equipment, net and financing lease liabilities are included within notes payable (current portion) and long-term debt (noncurrent portion) in the Company's consolidated balance sheet. Financing lease assets were recorded net of accumulated amortization of \$153 and \$38 as of June 30, 2021 and 2020.

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

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

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

### Maturity of Lease Liabilities under ASC 842

Future minimum rental payments on operating leases with initial non-cancellable lease terms in excess of one year were due as follows at June 30, 2021\*:

Due dates	Future Minimum Rental Payments
2022	12,942
2023	11,862
2024	9,686
2025	6,899
2026	5,979
Thereafter	19,185
Total lease payments	\$ 66,553
Less: interest	(5,725)
Present value of lease liabilities	<b>\$ 60,828</b>

\*Financing leases were immaterial to the fiscal year, 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 June 30, 2021, there were \$501 in legally binding lease payments for a lease signed but not yet commenced. The commencement date of the lease is July 1, 2021 and has a term of 68 months.

Rent expense for all operating leases was \$15,196 during the year ended June 30, 2019.

### NOTE 5. PROPERTY AND EQUIPMENT

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

	June 30,		Estimated Useful Life
	2021	2020	
Land	\$ 22,885	\$ 22,885	
Land improvements	23,783	23,765	5 - 20 years
Buildings	149,041	146,193	20 - 30 years
Leasehold improvements	55,407	56,106	5 - 30 years <sup>(1)</sup>
Equipment and furniture	391,507	388,413	3 - 10 years
Aircraft and equipment	41,047	39,824	4 - 10 years
Construction in progress	3,639	279	
Finance lease right of use asset <sup>(2)</sup>	341	355	
	<b>687,650</b>	677,820	
Less accumulated depreciation	435,169	404,388	
Property and equipment, net	<b>\$ 252,481</b>	<b>\$ 273,432</b>	

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

<sup>(2)</sup> See Note 4 for details

The increases in property and equipment in accrued liabilities were \$8,699 and \$44 for the fiscal years ended June 30, 2021 and 2020, respectively. The changes in property and equipment acquired through capital leases were a decrease of \$14 and an increase of \$355 for the fiscal years ended June 30, 2021 and 2020, respectively. These amounts were excluded from capital expenditures on the statements of cash flows.

No impairments of property and equipment were recorded in fiscal 2021, 2020, or 2019.

In fiscal 2020, we recorded a gain on disposal of assets of \$4,352 included in selling, general, and administrative on the Company's consolidated statement of income and as (gain)/loss on disposal of assets and businesses on the Company's consolidated statement of cash flows. The gain on disposal of assets was related to the sale of the Company's Houston, TX facility.

#### NOTE 6. OTHER ASSETS

##### *Goodwill*

The carrying amount of goodwill for the fiscal years ended June 30, 2021 and 2020, by reportable segments, is as follows:

	June 30,	
	2021	2020
<b>Core</b>		
Beginning balance	\$ 199,956	\$ 199,956
Goodwill, acquired during the year	—	—
Goodwill, transferred during the year <sup>1</sup>	(4,017)	—
Goodwill, adjustments related to dispositions	(361)	—
Ending balance	<u>\$ 195,578</u>	<u>\$ 199,956</u>
<b>Payments</b>		
Beginning balance	\$ 325,326	\$ 325,326
Goodwill, acquired during the year	—	—
Goodwill, adjustments related to dispositions	—	—
Ending balance	<u>\$ 325,326</u>	<u>\$ 325,326</u>
<b>Complementary</b>		
Beginning balance	\$ 161,052	\$ 141,662
Goodwill, acquired during the year	1,485	19,390
Goodwill, transferred during the year <sup>1</sup>	4,017	—
Goodwill, adjustments related to dispositions	—	—
Ending balance	<u>\$ 166,554</u>	<u>\$ 161,052</u>

<sup>1</sup>Related to the transfer of our Call Center line of business from Core to Complementary, \$4,017 of goodwill was transferred between the two based upon the estimated fair value of that line of business.

Goodwill acquired during fiscal 2021 and 2020 totaled \$1,485 and \$19,390, respectively. Goodwill consists largely of the growth potential, synergies and economies of scale expected from combining the operations of the Company with those of the entities or assets acquired, together with their assembled workforces. No goodwill has been assigned to the Company's Corporate and Other reportable segment (see Note 13).

### Other Intangible Assets

Information regarding other identifiable intangible assets is as follows:

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

	June 30, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 316,034	\$ (220,926)	\$ 95,108
Computer software	\$ 860,540	\$ (520,074)	\$ 340,466
Other intangible assets:	\$ 101,772	\$ (71,855)	\$ 29,917

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

Computer software includes cost of software to be sold, leased, or marketed of \$146,090 and costs of internal-use software of \$222,004 at June 30, 2021. At June 30, 2020, costs of software to be sold, leased, or marketed totaled \$142,493, and costs of internal-use software totaled \$197,973.

Computer software includes the unamortized cost of commercial software products developed or acquired by the Company, which are capitalized and amortized over useful lives generally ranging from 5 to 15 years. Amortization expense for computer software totaled \$99,305, \$92,460, and \$82,605 for the fiscal years ended June 30, 2021, 2020, and 2019, respectively. During fiscal 2020, computer software projects totaling \$8,710, primarily related to Enterprise Risk Mitigation Solution and Payments Hub, were written off and are included in selling, general, and administrative on the Company's consolidated statement of income and as (gain)/loss on disposal of assets and businesses on the Company's consolidated statement of cash flows. There were no material impairments in fiscal years ended June 30, 2021 and 2019.

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

Amortization expense for all intangible assets was \$123,233, \$119,599, and \$113,255 for the fiscal years ended June 30, 2021, 2020, and 2019, respectively. The estimated aggregate future amortization expense for each of the next five years for all intangible assets remaining as of June 30, 2021, is as follows:

Years Ending June 30,	Computer Software	Customer Relationships	Other Intangible Assets	Total
2022	\$ 86,113	\$ 12,339	\$ 8,202	\$ 106,654
2023	71,578	9,745	5,171	86,494
2024	55,831	8,363	2,488	66,682
2025	38,341	7,910	1,390	47,641
2026	16,443	7,544	1,367	25,354

### NOTE 7. DEBT

The Company had \$110 outstanding short-term debt and \$100,083 outstanding long-term debt at June 30, 2021, related to financing leases and the revolving credit facility. The Company had \$115 outstanding short-term debt and \$208 outstanding long-term debt at June 30, 2020.

#### Revolving credit facility

On February 10, 2020, the Company entered into a five-year senior, unsecured revolving credit facility. The credit facility allows for borrowings of up to \$300,000, which may be increased by the Company at any time until maturity to \$700,000. The credit facility bears interest at a variable rate equal to (a) a rate based on a eurocurrency rate or (b) an alternate base rate (the highest of (i) 0%, (ii) the U.S. Bank prime rate for such day, (iii) the sum of the Federal Funds Effective Rate for such day plus 0.50% and (iv) the eurocurrency rate for a one-month interest period on such day for dollars plus 1.0%), plus an applicable percentage in each case determined by the Company's

leverage ratio. The credit facility is guaranteed by certain subsidiaries of the Company and is subject to various financial covenants that require the Company to maintain certain financial ratios as defined in the credit facility agreement. As of June 30, 2021, the Company was in compliance with all such covenants. The revolving credit facility terminates February 10, 2025. There was \$100,000 outstanding balance under this credit facility at June 30, 2021 and no outstanding balance under this credit facility at 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 modified in March 2021 to extend the expiration to April 30, 2023. There was no balance outstanding at June 30, 2021 or 2020.

*Interest*

The Company paid interest of \$852, \$475, and \$691 during the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

**NOTE 8. INCOME TAXES**

The provision/(benefit) for income taxes consists of the following:

	Year Ended June 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Current:</b>			
Federal	\$ 55,598	\$ 46,137	\$ 54,800
State	13,897	13,690	12,946
<b>Deferred:</b>			
Federal	14,401	21,130	4,177
State	2,360	3,451	3,427
	<u>\$ 86,256</u>	<u>\$ 84,408</u>	<u>\$ 75,350</u>

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

	June 30,	
	<u>2021</u>	<u>2020</u>
<b>Deferred tax assets:</b>		
Contract and service revenues	\$ 13,428	\$ 14,469
Expense reserves and accruals (bad debts, compensation, and payroll tax)	17,566	14,096
Leasing liabilities	15,182	17,122
Net operating loss and tax credit carryforwards	3,242	3,786
Other, net	2,634	2,327
Total gross deferred tax assets	52,052	51,800
Valuation allowance	(270)	(473)
Net deferred tax assets	<u>51,782</u>	<u>51,327</u>
<b>Deferred tax liabilities:</b>		
Accelerated tax depreciation	(37,066)	(39,619)
Accelerated tax amortization	(175,804)	(166,343)
Contract and service costs	(85,696)	(73,331)
Leasing right-of-use assets	(13,974)	(16,032)
Total gross deferred liabilities	<u>(312,540)</u>	<u>(295,325)</u>
Net deferred tax liability	<u>\$ (260,758)</u>	<u>\$ (243,998)</u>

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

	Year Ended June 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Computed "expected" tax expense	21.0 %	21.0 %	21.0 %
Increase (reduction) in taxes resulting from:			
State income taxes, net of federal income tax benefits	3.2 %	3.6 %	3.7 %
Research and development credit	(2.4)%	(2.4)%	(2.5)%
Tax effects of share-based payments	(0.4)%	(0.1)%	(1.4)%
Other (net)	0.3 %	— %	0.9 %
	<u>21.7 %</u>	<u>22.1 %</u>	<u>21.7 %</u>

As of June 30, 2021, the Company has \$4,093 of gross federal net operating loss ("NOL") and \$192 tax credit carryforwards pertaining to the acquisition of Goldleaf Financial Solutions, Inc. and Geezeo, which are expected to be utilized after the application of IRC Section 382. Separately, as of June 30, 2021, the Company has state NOL and tax credit carryforwards with a tax-effected value of \$523 and \$1,667, respectively. The federal and state loss and credit carryover have varying expiration dates, ranging from fiscal 2022 to 2041. Based on state tax rules which

restrict utilization of these losses and tax credits, the Company believes it is more likely than not that \$270 of these losses and tax credits will expire unutilized. Accordingly, valuation allowances of \$270 and \$473 have been recorded against the state net operating losses and tax credit carryforwards as of June 30, 2021 and 2020, respectively.

The Company paid income taxes, net of refunds, of \$80,220, \$63,692, and \$62,005 in fiscal 2021, 2020, and 2019, respectively.

At June 30, 2021, the Company had \$8,762 of gross unrecognized tax benefits, \$8,119 of which, if recognized, would affect its effective tax rate. At June 30, 2020, the Company had \$10,112 of unrecognized tax benefits, \$9,434 of which, if recognized, would affect its effective tax rate. The Company had accrued interest and penalties of \$1,180 and \$1,565 related to uncertain tax positions at June 30, 2021 and 2020, respectively. The income tax provision included interest expense and penalties (or benefits) on unrecognized tax benefits of \$(310), \$38, and \$128 in the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

A reconciliation of the unrecognized tax benefits for the fiscal years ended June 30, 2021, 2020, and 2019 follows:

	Unrecognized Tax Benefits
Balance at July 1, 2018	\$ 10,227
Additions for current year tax positions	1,135
Reductions for current year tax positions	(40)
Additions for prior year tax positions	562
Reductions for prior year tax positions	(531)
Additions related to business combinations	43
Settlements	(25)
Reductions related to expirations of statute of limitations	(876)
Balance at June 30, 2019	10,495
Additions for current year tax positions	1,451
Additions for prior year tax positions	867
Additions related to business combinations	192
Reductions related to expirations of statute of limitations	(2,893)
Balance at June 30, 2020	10,112
<b>Additions for current year tax positions</b>	<b>1,598</b>
<b>Additions for prior year tax positions</b>	<b>490</b>
<b>Reductions for prior year tax positions</b>	<b>(30)</b>
<b>Reductions related to expirations of statute of limitations</b>	<b>(3,408)</b>
<b>Balance at June 30, 2021</b>	<b>\$ 8,762</b>

The U.S. federal and state income tax returns for fiscal 2018 and all subsequent years remain subject to examination as of June 30, 2021 under statute of limitations rules. The Company anticipates that potential changes due to lapsing statutes of limitations and examination closures could reduce the unrecognized tax benefits balance by \$3,500 - \$4,500 within twelve months of June 30, 2021.

#### NOTE 9. INDUSTRY AND SUPPLIER CONCENTRATIONS

The Company sells its products to banks, credit unions, and financial institutions throughout the United States and generally does not require collateral. All billings to customers are due 30 days from date of billing. Reserves are maintained for potential credit losses. Customer-related risks are moderated through the inclusion of credit mitigation clauses in the Company's contracts and through the monitoring of timely payments.

In addition, some of the Company's key solutions are dependent on technology manufactured by IBM Corporation and Microsoft. Termination of the Company's relationship with either IBM or Microsoft could have a negative impact on the operations of the Company.

**NOTE 10. STOCK-BASED COMPENSATION**

The Company's pre-tax operating income for the fiscal years ended June 30, 2021, 2020, and 2019 includes \$20,746, \$16,883, and \$12,589 of equity-based compensation costs, respectively, of which \$18,817, \$15,148, and \$10,828 relates to the restricted stock plans, respectively. Costs are recorded net of estimated forfeitures. The total income tax benefits from equity-based compensation for the fiscal years ended June 30, 2021, 2020, and 2019 were \$3,258, \$3,072, and \$7,284, respectively. These income tax benefits included income tax net excess benefits from stock option exercises and restricted stock vestings of \$719, \$340, and \$6,191 for the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

**2015 Equity Incentive Plan**

On November 10, 2015, the Company adopted the 2015 Equity Incentive Plan ("2015 EIP") for its employees and non-employee directors. The plan allows for grants of stock options, stock appreciation rights, restricted stock shares or units, and performance shares or units. The maximum number of shares authorized for issuance under the plan is 3,000. For stock options, terms and vesting periods of the options were determined by the Compensation Committee of the Board of Directors when granted. The option period must expire not more than ten years from the options grant date. The options granted under this plan are exercisable beginning three years after grant at an exercise price equal to 100% of the fair market value of the stock at the grant date. The options terminate upon surrender of the option, ninety days after termination of employment, upon the expiration of one year following notification of a deceased optionee, or 10 years after grant.

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

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Aggregate Intrinsic Value</b>
Outstanding July 1, 2018	52	\$ 62.65	
Granted	—	—	
Forfeited	—	—	
Exercised	(20)	23.65	
Outstanding July 1, 2019	32	87.27	
Granted	—	—	
Forfeited	—	—	
Exercised	(10)	87.27	
Outstanding July 1, 2020	22	87.27	
Granted	—	—	
Forfeited	—	—	
Exercised	—	—	
<b>Outstanding June 30, 2021</b>	<b>22</b>	<b>\$ 87.27</b>	<b>\$ 1,653</b>
<b>Vested and Expected to Vest June 30, 2021</b>	<b>22</b>	<b>\$ 87.27</b>	<b>\$ 1,653</b>
<b>Exercisable June 30, 2021</b>	<b>22</b>	<b>\$ 87.27</b>	<b>\$ 1,653</b>

There were no options granted in fiscal 2021, 2020, and 2019.

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

At June 30, 2021, there was no compensation cost yet to be recognized related to outstanding options.

The total intrinsic value of options exercised was \$809, and \$2,289 for the fiscal years ended June 30, 2020, and 2019, respectively. There were no options exercised for the fiscal year ended June 30, 2021.

*Restricted Stock Plan and 2015 Equity Incentive Plan*

The Restricted Stock Plan was adopted by the Company on November 1, 2005, for its employees. The plan expired on November 1, 2015. Up to 3,000 shares of common stock were available for issuance under the plan. The 2015 EIP was adopted by the Company on November 10, 2015 for its employees. Up to 3,000 shares of common stock are available for issuance under the 2015 EIP. Upon issuance, shares of restricted stock are subject to forfeiture and to restrictions which limit the sale or transfer of the shares during the restriction period. The restrictions are lifted over periods ranging from 3 years to 5 years from grant date.

The following table summarizes non-vested share awards activity:

**Share awards**

	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding July 1, 2018	23	\$ 81.33
Granted	—	—
Vested	(17)	79.41
Forfeited	—	—
Outstanding July 1, 2019	6	87.27
Granted	—	—
Vested	(6)	87.27
Forfeited	—	—
Outstanding July 1, 2020 and June 30, 2021	—	—

The non-vested share awards granted prior to July 1, 2016 did not participate in dividends during the restriction period. As a result, the weighted-average fair value of the non-vested share awards was based on the fair market value of the Company's equity shares on the grant date, less the present value of the expected future dividends to be declared during the restriction period, consistent with the methodology for calculating compensation expense on such awards. The non-vested share awards granted after July 1, 2016 did participate in dividends during the restriction period and the weighted-average fair value of such participating awards was based on the fair market value on the grant date.

An amendment to the Restricted Stock Plan was adopted by the Company on August 20, 2010. Unit awards were made to employees remaining in continuous employment throughout the performance period and vary based on the Company's percentile ranking in Total Shareholder Return ("TSR") over the performance period compared to a peer group, or peer groups, of companies. TSR is defined as the change in the stock price through the performance period plus dividends per share paid during the performance period, all divided by the stock price at the beginning of the performance period. It is the intention of the Company to settle the unit awards in shares of the Company's stock. Certain Restricted Stock Unit awards are not tied to performance goals, and for such awards, vesting generally occurs over a period of 1 to 3 years.

The following table summarizes non-vested unit awards as of June 30, 2021, as well as activity for the fiscal year then ended:

Unit awards	Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding July 1, 2018	351	\$ 83.37	
Granted <sup>1</sup>	80	169.53	
Vested	(129)	82.06	
Forfeited <sup>2</sup>	(4)	92.32	
Outstanding July 1, 2019	298	107.00	
Granted <sup>1</sup>	139	157.94	
Vested	(69)	98.25	
Forfeited <sup>2</sup>	(61)	85.33	
Outstanding July 1, 2020	307	136.41	
Granted <sup>1</sup>	113	170.69	
Vested	(124)	111.08	
Forfeited <sup>2</sup>	(2)	140.46	
<b>Outstanding June 30, 2021</b>	<b>294</b>	<b>\$160.22</b>	<b>\$48,173</b>

<sup>1</sup>Granted includes restricted stock unit awards and performance unit awards at 100% achievement.

<sup>2</sup>Forfeited includes restricted stock unit awards and performance unit awards forfeited for service requirements not met and performance unit awards not settled due to underachievement of performance measures.

The 113 unit awards granted in fiscal 2021 had service requirements and performance measures, with 79 only having service requirements. Those with only service requirements were valued at the weighted-average fair value of the non-vested units based on the fair market value of the Company's equity shares on the grant date, less the present value of expected future dividends to be declared during the vesting period, consistent with the methodology for calculating compensation expense on such awards. The remaining 34 unit awards granted in fiscal 2021 had performance measures 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 settlement provisions, approximately half of the awards that utilize a Monte Carlo pricing model were valued at grant on the basis of TSR in comparison to the compensation peer group approved by the Compensation Committee of the Company's Board of Directors for fiscal 2021, and the other half of the awards utilizing a Monte Carlo pricing model were valued at grant on the basis of TSR in comparison to the Standard & Poor's 1500 Information Technology Index ("S&P 1500 IT Index") participants.

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

	Year Ended June 30,		
	2021	2020	2019
Compensation peer group:			
Volatility	25.2 %	16.8 %	15.3 %
Risk free interest rate	0.11 %	1.34 %	2.89 %
Dividend yield	1.0 %	1.1 %	0.9 %
S&P 1500 IT Index:			
Volatility	25.2 %	16.8 %	— %
Risk free interest rate	0.11 %	1.34 %	— %
Dividend yield	1.0 %	1.1 %	— %

At June 30, 2021, there was \$19,352 of compensation expense, excluding forfeitures, that has yet to be recognized related to non-vested restricted stock unit awards, which will be recognized over a weighted-average remaining contractual term of 1.22 years.

The fair value of restricted shares and units at vest date totaled \$21,652, \$11,248, and \$34,645 for the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

#### NOTE 11. EARNINGS PER SHARE

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

	Year Ended June 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Income	\$ 311,469	\$ 296,668	\$ 271,885
Common share information:			
Weighted average shares outstanding for basic earnings per share	75,546	76,787	77,160
Dilutive effect of stock options, restricted stock units, and restricted stock	112	147	187
Weighted average shares outstanding for diluted earnings per share	75,658	76,934	77,347
Basic earnings per share	\$ 4.12	\$ 3.86	\$ 3.52
Diluted earnings per share	\$ 4.12	\$ 3.86	\$ 3.52

Per share information is based on the weighted average number of common shares outstanding for each of the fiscal years. Stock options, restricted stock units, and restricted stock have been included in the calculation of earnings per share to the extent they are dilutive. The two-class method for computing EPS has not been applied because no outstanding awards contain non-forfeitable rights to participate in dividends. There were 11 anti-dilutive weighted average shares excluded from the weighted average shares outstanding for diluted earnings per share for fiscal 2021, 2 shares were excluded for fiscal 2020, and no shares were excluded for fiscal 2019.

#### NOTE 12. EMPLOYEE BENEFIT PLANS

The Company established an employee stock purchase plan in 2006. The plan allows the majority of employees the opportunity to directly purchase shares of the Company at 85% of the closing price of the Company's stock on or around the fifteenth day of each month. During the fiscal years ended June 30, 2021, 2020 and 2019, employees purchased 80, 74, and 76 shares under this plan at average prices of \$136.87, \$132.51, and \$118.32, respectively. As of June 30, 2021, approximately 1,150 shares remained available for future issuance under the plan. The plan does not meet the criteria as a non-compensatory plan. As a result, the Company records the total dollar value of the stock discount given to employees under the plan as expense.

The Company has a defined contribution plan for its employees: the 401(k) Retirement Savings Plan (the "Plan"). The Plan is subject to the Employee Retirement Income Security Act of 1975 ("ERISA") as amended. Under the Plan, the Company matches 100% of full-time employee contributions up to 5% of eligible compensation. Prior to January 1, 2019, the Company match was subject to a maximum of \$5 per year. On January 1, 2019, the maximum limit was removed. In order to receive matching contributions, employees must be 18 years of age and be employed for at least six months. The Company has the option of making a discretionary contribution; however, none has been made for any of the three most recent fiscal years. The total matching contributions for the Plan were \$26,783, \$25,155, and \$21,003 for fiscal 2021, 2020 and 2019, respectively.

**NOTE 13. BUSINESS ACQUISITIONS***Geezeo*

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

Management 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

Measurement period adjustments were made during the second quarter of fiscal 2020 relating to accrued expenses and working capital, which resulted in adjustments to the goodwill amount recorded. Additional measurement period adjustments were made during the third quarter of fiscal 2020 relating to income taxes.

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

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

*BOLTS Technologies, Inc.*

On October 5, 2018, the Company acquired all of the equity interest of BOLTS for \$15,046 paid in cash. The acquisition was funded by cash generated from operations. BOLTS is the developer of boltsOPEN, a digital account opening solution.

Costs incurred related to the acquisition of BOLTS in fiscal 2019 totaled \$23 for legal, valuation, and other fees, and were expensed as incurred within selling, general, and administrative expense.

For the fiscal year ended June 30, 2021, the Company's consolidated statement of income included revenue of \$1,223 and after-tax net loss of \$382 resulting from BOLTS' operations. For the fiscal years ended June 30, 2020 and 2019, the Company's consolidated statement of income included revenue of \$158 and \$126, respectively, and after-tax net loss of \$801 and \$895, respectively, resulting from BOLTS' operations.

*Agiletics, Inc.*

On October 1, 2018, the Company acquired all of the equity interest of Agiletics for \$7,649 paid in cash. The acquisition was funded by cash generated from operations. Agiletics is a provider of escrow, investment, and liquidity management solutions for banks serving commercial customers.

Costs incurred related to the acquisition of Agiletics in fiscal 2019 totaled \$36 for legal, valuation, and other fees, and were expensed as incurred within selling, general, and administrative expense.

For the fiscal year ended June 30, 2021, the Company's consolidated statement of income included revenue of \$1,877 and after-tax net income of \$387 resulting from Agiletics' operations. For the fiscal years ended June 30, 2020 and 2019, the Company's consolidated statement of income included revenue of \$1,566 and \$926, respectively, and after-tax net income of \$213 and after tax net loss of \$192, respectively, resulting from Agiletics' operations.

NOTE 14. REPORTABLE SEGMENT INFORMATION

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

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

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

During the second quarter of fiscal 2021, the Company's call center was consolidated into the Complementary segment. As a result of this consolidation, immaterial adjustments were made during fiscal 2021 to reclassify related revenue and costs recognized during the fiscal years ended June 30, 2020 and 2019 from the Core to the Complementary segment. The total related revenue reclassified was \$20,797 for fiscal 2020 and \$13,515 for fiscal 2019. The total related cost of revenue reclassified was \$12,386 for fiscal 2020 and \$8,513 for fiscal 2019.

	Year Ended June 30, 2021				
	Core	Payments	Complementary	Corporate and Other	Total
<b>REVENUE</b>					
Services and Support	\$ 529,193	\$ 63,445	\$ 410,930	\$ 44,638	\$ 1,048,206
Processing	34,903	578,863	94,998	1,255	710,019
<b>Total Revenue</b>	<b>564,096</b>	<b>642,308</b>	<b>505,928</b>	<b>45,893</b>	<b>1,758,225</b>
Cost of Revenue	247,285	353,581	212,627	249,906	1,063,399
Research and Development					109,047
Selling, General, and Administrative					187,060
<b>Total Expenses</b>					<b>1,359,506</b>
<b>SEGMENT INCOME</b>	<b>\$ 316,811</b>	<b>\$ 288,727</b>	<b>\$ 293,301</b>	<b>\$ (204,013)</b>	
<b>OPERATING INCOME</b>					<b>398,719</b>
<b>INTEREST INCOME (EXPENSE)</b>					<b>(994)</b>
<b>INCOME BEFORE INCOME TAXES</b>					<b>\$ 397,725</b>

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

	Year Ended June 30, 2019				
	Core	Payments	Complementary	Corporate and Other	Total
<b>REVENUE</b>					
Services and Support	\$ 494,094	\$ 52,756	\$ 360,544	\$ 51,095	\$ 958,489
Processing	28,422	496,574	68,573	633	594,202
<b>Total Revenue</b>	<b>522,516</b>	<b>549,330</b>	<b>429,117</b>	<b>51,728</b>	<b>1,552,691</b>
Cost of Revenue	235,476	273,261	184,251	230,042	923,030
Research and Development					96,378
Selling, General, and Administrative					185,998
<b>Total Expenses</b>					<b>1,205,406</b>
<b>SEGMENT INCOME</b>	<b>\$ 287,040</b>	<b>\$ 276,069</b>	<b>\$ 244,866</b>	<b>\$ (178,314)</b>	
<b>OPERATING INCOME</b>					<b>347,285</b>
<b>INTEREST INCOME (EXPENSE)</b>					<b>(50)</b>
<b>INCOME BEFORE INCOME TAXES</b>					<b>\$ 347,235</b>

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

#### NOTE 15: SUBSEQUENT EVENT

##### *Dividend*

On August 23, 2021, the Company's Board of Directors declared a cash dividend of \$0.46 per share on its common stock, payable on September 29, 2021 to shareholders of record on September 9, 2021.

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

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out under the supervision and with the participation of our management, including our Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation (required in Exchange Act Rules 13a-15(b) and 15d-15(b)), the CEO and CFO concluded that our disclosure controls and procedures are effective to 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 required to be disclosed under the Exchange Act is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

#### Management's Annual Report on Internal Control over Financial Reporting

The Management's Report on Internal Control over Financial Reporting required by this Item 9A is in Item 8, "Financial Statements and Supplementary Data." The Company's independent registered public accounting firm has audited our internal control over financial reporting as of June 30, 2021; their report is included in Item 8 of this Form 10-K.

#### Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2021, there were no changes in the Company's internal control over financial reporting which were identified in connection with management's evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **ITEM 9B. OTHER INFORMATION**

None.

### **PART III**

Information required by Items 10, 11, 12, 13 and 14 of Part III is omitted from this report and will be filed within 120 days after the Company's June 30, 2021 fiscal year end in the definitive proxy statement for our 2021 Annual Meeting of Stockholders (the "Proxy Statement").

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

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

#### **ITEM 11. EXECUTIVE COMPENSATION**

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

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

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

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

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

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

See the information under the captions "Audit Committee Report" and "Ratification of the Selection of the Company's Independent Registered Public Accounting Firm" in the Proxy Statement, which is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

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

- Reports of Independent Registered Public Accounting Firm
- Consolidated Statements of Income for the fiscal years ended June 30, 2021, 2020 and 2019
- Consolidated Balance Sheets as of June 30, 2021 and 2020
- Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended June 30, 2021, 2020 and 2019
- Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2021, 2020 and 2019
- Notes to the Consolidated Financial Statements

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

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

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

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

#### Index to Exhibits

#### Exhibit No. Description

- 3.1.8 [Restated Certificate of Incorporation attached as Exhibit 3.1.8 to the Company's Quarterly Report on Form 10-Q filed February 9, 2021.](#)
- 3.2.7 [Restated and Amended Bylaws attached as Exhibit 3.2.7 to the Company's Current Report on Form 8-K filed September 27, 2017.](#)
- 4.1\*\* [Description of Securities](#)
- 10.8 [Form of Indemnity Agreement entered into as of August 27, 1996, between the Company and each of its Directors and Executive Officers, attached as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1996.](#)
- 10.48\* [Form of Termination Benefits Agreements \(executives\) attached as Exhibit 10.48 to the Company's Quarterly Report on Form 10-Q filed February 6, 2014.](#)
- 10.49\* [Jack Henry & Associates, Inc. Deferred Compensation Plan attached as Exhibit 10.49 to the Company's Quarterly Report on Form 10-Q filed November 5, 2014.](#)
- 10.50\* [Jack Henry & Associates, Inc. Non-Employee Directors Deferred Compensation Plan attached as Exhibit 10.50 to the Company's Quarterly Report on Form 10-Q filed November 5, 2014.](#)
- 10.56\* [Jack Henry & Associates, Inc. 2015 Equity Incentive Plan attached as Exhibit 10.56 to the Company's Current Report on Form 8-K filed November 16, 2015.](#)
- 10.57\* [Form of Restricted Stock Unit Agreement \(non-employee directors\) attached as Exhibit 10.57 to the Company's Quarterly Report on Form 10-Q filed February 5, 2016.](#)
- 10.58\* [Form of Nonqualified Stock Option Agreement \(executives\) attached as Exhibit 10.58 to the Company's Current Report on Form 8-K filed July 1, 2016.](#)
- 10.59\* [Form of Restricted Stock Agreement \(executives\) attached as Exhibit 10.59 to the Company's Current Report on Form 8-K filed July 1, 2016.](#)

- 10.61\* [Jack Henry & Associates, Inc. 2006 Employee Stock Purchase Plan, as amended and restated effective November 10, 2016, attached as Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed November 16, 2016.](#)
- 10.62\* [Form of Performance Shares Agreement attached as Exhibit 10.62 to the Company's Annual Report on Form 10-K filed August 25, 2017.](#)
- 10.63\* [Jack Henry & Associates, Inc. 2017 Annual Incentive Plan, effective September 1, 2017 and approved by the stockholders on November 9, 2017, attached as Exhibit 10.63 to the Company's Current Report on Form 8-K filed November 13, 2017.](#)
- 10.64\* [Retention Agreement, dated January 1, 2020, between the Company and David Foss attached as Exhibit 10.64 to the Company's Current Report on Form 8-K filed January 3, 2020.](#)
- 10.65\* [Form of Restricted Stock Unit Agreement attached as Exhibit 10.65 to the Company's Current Report on Form 8-K filed January 3, 2020.](#)
- 10.66 [Credit Agreement, dated as of February 10, 2020 among Jack Henry & Associates, Inc., as Borrower, the lenders parties thereto, U.S. Bank National Association, as Administrative Agent, LC Issuer and Swing Line Lender, and certain other financial institutions as co-syndication agents and joint lead arrangers and joint book runners attached as Exhibit 10.66 to the Company's Current Report on Form 8-K filed February 11, 2020.](#)
- 10.67 [Aircraft Time Sharing Agreement, dated as of November 10, 2020 between the Company and David Foss attached as Exhibit 10.67 to the Company's Quarterly Report on Form 10-Q filed February 9, 2021.](#)
- 10.68\* \*\* [Form of Restricted Stock Unit Agreement.](#)
- 10.69\* \*\* [Form of Performance Shares Agreement.](#)
- 10.70\* \*\* [Form of Restricted Stock Unit Agreement.](#)
- 21.1\*\* [List of the Company's subsidiaries.](#)
- 23.1\*\* [Consent of Independent Registered Public Accounting Firm- PricewaterhouseCoopers LLP.](#)
- 31.1\*\* [Certification of the Chief Executive Officer.](#)
- 31.2\*\* [Certification of the Chief Financial Officer.](#)
- 32.1\*\*\* [Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.](#)
- 32.2\*\*\* [Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.](#)
- 101.INS\*\*\*\* XBRL Instance Document
- 101.SCH\*\*\*\* XBRL Taxonomy Extension Schema Document
- 101.CAL\*\*\*\* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\*\*\*\* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB\*\*\*\* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\*\*\*\* XBRL Taxonomy Extension Presentation Linkbase Document

\* Indicates management contract or compensatory plan or arrangement.

\*\* Filed with this report on Form 10-K

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

\*\*\*\* Filed with this report on Form 10-K are the following documents formatted in XBRL ("Extensible Business Reporting Language"): (i) the Consolidated Balance Sheets at June 30, 2021 and June 30, 2020, (ii) the Consolidated Statements of Income for the years ended June 30, 2021, 2020 and 2019, (iii) the Consolidated Statements of Shareholders' Equity for the years ended June 30, 2021, 2020 and 2019, (iv) the Consolidated Statements of Cash Flows for the years ended June 30, 2021, 2020 and 2019, and (v) Notes to Consolidated Financial Statements.

**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 25th day of August, 2021.

JACK HENRY & ASSOCIATES, INC., Registrant

By /s/ David B. Foss  
Chief Executive Officer

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

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ David B. Foss</u> David B. Foss	President, Chief Executive Officer, and Board Chair (Principal Executive Officer)	August 25, 2021
<u>/s/ Kevin D. Williams</u> Kevin D. Williams	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	August 25, 2021
<u>/s/ Matthew Flanigan</u> Matthew Flanigan	Director	August 25, 2021
<u>/s/ Tom H. Wilson, Jr</u> Tom H. Wilson, Jr	Director	August 25, 2021
<u>/s/ Jacqueline R. Fiegel</u> Jacqueline R. Fiegel	Director	August 25, 2021
<u>/s/ Thomas A. Wimsett</u> Thomas A. Wimsett	Director	August 25, 2021
<u>/s/ Laura G. Kelly</u> Laura G. Kelly	Director	August 25, 2021
<u>/s/ Shruti Miyashiro</u> Shruti S. Miyashiro	Director	August 25, 2021
<u>/s/ Wesley A. Brown</u> Wesley A. Brown	Director	August 25, 2021
<u>/s/ Curtis A. Campbell</u> Curtis A. Campbell	Director	August 25, 2021

## EXHIBIT 4.1

### DESCRIPTION OF SECURITIES

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

#### GENERAL

Under the Company's Certificate of Incorporation, our authorized capital stock consists of 250,000,000 shares of common stock, par value \$0.01 per share, and 500,000 shares of preferred stock, par value \$1.00 per share. As of August 13, 2021, an aggregate of 74,013,999 shares of common stock and no shares of preferred stock were issued and outstanding.

#### COMMON STOCK

##### *Voting Rights*

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

##### *Dividends*

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

##### *Liquidation*

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

##### *No Preemptive or Similar Rights*

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

##### *Fully Paid and Non-assessable*

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

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

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

### *Blank Check Preferred Stock*

Our Board of Directors is authorized to designate any series of preferred stock and the powers, preferences and rights of the shares of such series and the qualifications, limitations or restrictions thereof without further action by the holders of common stock.

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

### *Size of Board*

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

### *Director Vacancies*

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

### *Advance Notice for Stockholder Proposals and Nominations*

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

### *No Cumulative Voting*

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

### *Limitations on Liability of Directors; Indemnification of Directors and Officers*

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

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

### *Super-majority voting requirements*

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

### *Limitations on Calling Special Meetings and Action by Written Consent*

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

### *Limitations on Business Combinations with Interested Stockholders*

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

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

**TRANSFER AGENT AND REGISTRAR**

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

**LISTING**

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

**JACK HENRY & ASSOCIATES, INC.  
2015 EQUITY INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AGREEMENT  
(Employees)**

Date of Award: \_\_\_\_\_

Number of RSUs Granted: \_\_\_\_\_ (the "Award")

THIS AWARD AGREEMENT dated \_\_\_\_\_ is made by and between Jack Henry & Associates, Inc., a Delaware corporation (hereinafter called the "Company"), and \_\_\_\_\_ (hereinafter called "Awardee").

**RECITALS:**

A. The Company's stockholders and Board of Directors of the Company ("Board") has adopted the Jack Henry & Associates, Inc. 2015 Equity Incentive Plan ("Plan") pursuant to which restricted stock units may be granted to employees of the Company; and

B. The Company desires to grant restricted Stock Units ("RSUs") to Awardee under the terms and conditions hereinafter set forth;

**AGREEMENT:**

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Award Subject to Plan. This Award is made under and is expressly subject to all the terms and provisions of the Plan, and which terms are incorporated herein by reference. Awardee agrees to be bound by all the terms and provisions of the Plan. Terms not defined herein shall have the meaning ascribed thereto in the Plan.

2. Grant of Award. Pursuant to the action of the undersigned officer as authorized by the Board, which action was taken on the date set forth above as Date of Award, the Company awards to Awardee the number of Restricted Stock Units identified above. Subject to the other terms and conditions of the Plan and this Agreement, settlement of each RSU as provided in Section 4 entitles Awardee to the issuance of one share of Common Stock, or, if permitted under the Plan and where the Board elects to settle an RSU for cash, a cash payment equal to the fair market value of the share underlying the RSU that the Board elects to settle for cash.

3. Restrictions. Except as may be permitted under the Plan or by the Board, the RSUs are not transferable by sale, assignment, disposition, gift, exchange, pledge, hypothecation, or otherwise. Any attempted disposition of the RSUs, or the levy of any execution, attachment or similar process upon the RSUs prior to settlement, shall be null and void and without effect. Holding RSUs does not give Awardee the rights of a

shareholder (including without limitation the right to vote or receive dividends or other distributions) with respect to shares of Common Stock underlying the RSUs that the Company may issue under the terms and conditions of this Agreement.

4. Settlement, Forfeiture and Share Issuance.

(a) Settlement Dates. The RSUs awarded hereunder shall settle according to the following schedule (each anniversary, a "Settlement Date"), with the percentages below being applied to the Award by rounding down to the nearest whole share:

Anniversary of Date of Award Percentage Settled

First Anniversary 33 1/3%

Second Anniversary 33 1/3%

Third Anniversary 33 1/3%

(b) Form of Settlement. To the extent permissible under the Plan, the Committee, in its sole discretion, may elect to settle an RSU by issuing shares of Common Stock or by making a cash payment to Awardee in an amount equal to the then fair market value of the share of Common Stock underlying the RSU being settled, less any amounts necessary to satisfy the Company's tax withholding obligations.

(c) Forfeiture.

(i) Subject to the other provisions of this Section 4, all remaining non-settled RSUs shall be forfeited if Awardee ceases to be an employee of the Company prior to any of the Settlement Dates. Upon any such forfeiture, under no circumstances will the Company be obligated to make any payment to Awardee, and no shares of Common Stock shall be issued, as a result of such forfeited RSUs.

(ii) Notwithstanding the foregoing, if Awardee ceases to be an employee of the Company by reason of Retirement prior to full settlement of the RSUs awarded hereunder, then the Awardee shall be entitled to settlement of the Pro Rata Portion of the RSUs that would otherwise be eligible for settlement at the next Settlement Date following such termination, and such settlement shall be made in accordance with Section 4(b). Any other remaining non-settled RSUs shall be forfeited pursuant to Section 4(c).

(iii) For purposes of this Agreement, a "Retirement" means an Awardee's termination of employment for the express reason of retirement, as determined by the Committee in its sole discretion, for which Awardee has provided the Company at least 6 months' prior notice and occurs (A) on or after age 55 and following a minimum number of years of employment with the Company such that Awardee's age plus the number of years of employment with the Company equals or exceeds 72,

or (B) on or after age 65. Unless otherwise determined by the Committee, Participant must have been actively employed as a full-time employee for an entire calendar year to receive credit for such year of employment for purposes of this definition of "Retirement."

(iv) For purposes of this Agreement, "Pro Rata Portion" means a number, presented as a percentage, computed by (i) the number of days elapsed between the immediately prior Settlement Date and the date of termination of employment divided by (ii) 365; *provided, however*, if the resulting percentage is less than 75%, the Pro Rata Portion will be deemed to be zero.

(d) Share Issuance; Company Stock Ownership Guidelines.

(i) Except as otherwise provided herein, upon the settlement of a specific number of RSUs for shares of Common Stock as provided in this Section, the Company shall issue a corresponding number of shares of Common Stock to Awardee on the Settlement Date provided that tax withholding obligations have been satisfied as provided in Section 5. The Company's transfer agent may issue shares of Common Stock in certificated or book entry form as determined by the Company's Corporate Secretary. Upon issuance of the Shares, Awardee shall have all rights of a shareholder with respect thereto including the right to vote and receive all dividends or other distributions made or paid with respect to the shares of Common Stock.

(ii) Any Shares acquired by Awardee on the Settlement Date pursuant to this Award may be subject to any Company stock ownership guidelines or stock ownership policy as determined appropriate by the Committee and communicated to Awardee. Awardee agrees that Awardee will comply with and adhere to such stock ownership guidelines or stock ownership policy.

5. Tax Withholding. Awardee understands and agrees that, at the time any tax withholding obligation arises in connection with the issuance of a share of Common Stock or, if permitted under the Plan, a cash payment, the Company may withhold, in shares of Common Stock if a valid election applies under this Section 5 or in cash from amounts the Company owes or will owe Awardee, any applicable minimum withholding, payroll and other required tax amounts due upon the issuance of shares of Common Stock or cash payment. Tax withholding may be made by any means permitted under the Plan, as approved by the Committee, and as permitted under the law. The valuation of the RSUs, and any shares of Common Stock that the Company may issue attributable to RSUs, for tax and other purposes shall be determined in accordance with all applicable laws and regulations. In the absence of the satisfaction of tax obligations, the Company may refuse to issue shares of Common Stock or make any other payment hereunder.

6. Dividends and Voting. Prior to an RSU settlement date, Awardee shall have no right to receive any dividends or dividend equivalent payments with respect

to the RSUs. Awardee will have no voting rights with respect to any of the RSUs or the shares of Common Stock underlying the RSUs.

7. Administration. This Award has been made pursuant to a determination made by the Board, or a committee authorized by the Board, subject to the express terms of this Agreement, and the Board or such committee shall have plenary authority to interpret any provision of this Agreement and to make any determinations necessary or advisable for the administration of this Agreement and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Awardee by the express terms hereof.

8. No Right to Continued Service. Nothing in this Agreement shall be deemed to create any limitation or restriction on such rights as the Company otherwise would have to terminate the employment of the Awardee.

9. Amendment; Entire Agreement and Binding Effect. This Agreement may be amended only by a writing executed by the parties hereto which specifically states that it is amending this Agreement. This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof. Except as expressly stated herein to the contrary, this Agreement will be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto.

10. Choice of Law. This Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Agreement to the substantive law of another jurisdiction. Awardee is deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Missouri to resolve any and all issues that may arise out of or relate to this agreement.

The Company has caused this Agreement to be executed on its behalf, and Awardee has signed this Agreement to evidence Awardee's acceptance of the terms hereof, all as of the date first above written.

**JACK HENRY & ASSOCIATES, INC.**

By: \_\_\_\_\_

Title: CFO/Treasurer

**AWARDEE**

\_\_\_\_\_

Name: \_\_\_\_\_

**JACK HENRY & ASSOCIATES, INC.  
2015 EQUITY INCENTIVE PLAN**

**PERFORMANCE SHARES AGREEMENT**

Date of Grant:

\_\_\_\_\_

Number of Performance Shares Granted

\_\_\_\_\_

This Award Agreement dated \_\_\_\_\_, is made by and between Jack Henry & Associates, Inc., a Delaware corporation (the "Company"), and \_\_\_\_\_ ("Participant").

**RECITALS:**

A. Effective November 10, 2015, the Company's stockholders approved the Jack Henry & Associates, Inc. 2015 Equity Incentive Plan pursuant to which the Company may, from time to time, grant Shares of Performance Shares to eligible Service Providers of the Company and its Affiliates.

B. Participant is a Service Provider of the Company or one of its Affiliates and the Company desires to encourage him/her to own Shares and to give him/her added incentive to advance the interests of the Company, and desires to grant Participant shares of Performance Shares of the Company under the terms and conditions established by the Committee.

**AGREEMENT:**

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Incorporation of Plan. All provisions of this Award Agreement and the rights of Participant hereunder are subject in all respects to the provisions of the Plan and the powers of the Committee therein provided. Capitalized terms used in this Award Agreement but not defined shall have the meaning set forth in the Plan.

2. Grant of Performance Shares. Effective as of the Date of Grant set forth above opposite the heading "Date of Grant," subject to the conditions and restrictions set forth in this Award Agreement and in the Plan, the Company hereby grants to Participant that number of Shares of Performance Shares identified above opposite the heading "Number of Performance Shares Granted" (the "Performance Shares"), but the number of such Performance Shares actually settled may be ultimately adjusted and determined pursuant to the terms and conditions set forth in this Agreement and including Appendix A hereto. Each Performance Share shall initially be deemed to be the equivalent of one share of Stock; provided, however, that certain levels of

achievement may result in settlement of less than one, or more than one, share of Stock (or its cash equivalent) for each Performance Share. In the sole discretion of the Committee, the Company may elect to settle a Performance Share for cash with a cash payment equal to the fair market value of each Performance Share the Committee elects to settle for cash.

3. Restrictions; Company Stock Ownership Guidelines.

(a) Restrictions. Except as may be permitted under the Plan or by the Committee, none of Participant's rights to payment hereunder are transferable by sale, assignment, disposition, gift, exchange, pledge, hypothecation, or otherwise. Any attempted disposition of any of Participant's rights hereunder, or the levy of any execution, attachment or similar process upon any of the Performance Shares prior to settlement, shall be null and void and without effect. Holding Performance Shares does not give Participant the rights of a shareholder (including without limitation the right to vote or receive dividends or other distributions) with respect to shares of Stock underlying the Performance Shares that the Company may issue under the terms and conditions of this Agreement.

(b) Company Stock Ownership Guidelines. Any Shares acquired by Participant on the Settlement Date pursuant to this Award may be subject to any Company stock ownership guidelines or stock ownership policy as determined appropriate by the Committee and communicated to Participant. Participant agrees that Participant will comply with and adhere to such stock ownership guidelines or stock ownership policy.

4. Settlement, Forfeiture and Share Issuance.

(a) Appendix A Performance Measures. The performance measures applicable to the Performance Shares (the "Performance Measures") are set forth in Appendix A to this Agreement. By accepting the terms and conditions of this Agreement, Participant shall be deemed to have consented to Appendix A, and Appendix A, its Performance Measures, terms and conditions are incorporated herein by reference. The Performance Measures relate to the Company's 20\_\_, 20\_\_, and 20\_\_ fiscal years (each a "Performance Year", and collectively the "Performance Period"). Appendix A also sets forth the "Scheduled Settlement Date", which, if it occurs due to achievement of one or more of the Performance Measures, shall follow the meeting of the Committee at which the applicable level of performance goal achievement is determined for Award purposes ("Applicable Committee Meeting"). At the Applicable Committee Meeting following the 20\_\_ Performance Year, the Committee shall conduct an objective analysis as to whether one or more of the Performance Measures have been satisfied. If one or more of such Performance Measures have been satisfied, the Committee shall certify such achievement ("Certification") and instruct the Company to begin the Performance Shares settlement process.

(b) Performance Settlement.

(i) The Performance Shares shall be settled in connection with Certification (as provided in Appendix A, but no earlier than any Scheduled Settlement Date). Settlement shall not occur if Certification does not occur at the Applicable Committee Meeting in 20\_\_ (the "Deadline"), and if Certification does not occur by the Deadline, no Performance Shares shall be settled and all of Participant's rights under this Agreement shall be forfeited as of the Deadline.

(ii) To the extent permissible under the Plan, the Committee, in its sole discretion, may elect to settle one or more Performance Shares by making a cash payment to Participant in an amount equal to the then fair market value of the share of Stock underlying the Performance Share being settled, less any amounts necessary to satisfy the Company's tax withholding obligations.

(c) Other Settlement.

(i) *Effect of Change in Control on Award and Settlement.*

(A) If a Change in Control occurs prior to the last day of the Performance Period, this Award shall automatically convert into a time-based vesting Award relating to a new number of Performance Shares determined under Section 4(c)(i)(B) and subject to the vesting condition and exceptions under Section 4(c)(i)(C).

(B) The new number of Performance Shares for purposes of this Section 4(c)(i) shall be equal to the sum of:

- (I) the greater of (a) the number of Shares subject to the TSR Measuring Goal set forth in Appendix A (i.e., the number that would be obtained if goal achievement were 100%) or (b) the number of Shares subject to the TSR Measuring Goal set forth in Appendix A and that would have been settled based on the actual level of TSR goal achievement if the date of such Change in Control event were the applicable measuring date for the TSR performance measure; plus
- (II) the number of Performance Shares subject to goals other than the TSR Measuring Goal (i.e., the number that would be obtained for all other non-TSR Measuring Goals) if goal achievement for each of such other performance measures were at 100%.

(C) In the event that this Award Agreement is not converted, assumed, substituted, continued, or replaced (with substantially identical economic terms) by a successor or surviving entity, or a parent or subsidiary thereof, in connection with such

Change in Control event, then, immediately prior to the Change in Control event, all of the Performance Shares (as adjusted under this Section 4(c)(i)) shall vest in full and be issued. In the event that this Award Agreement is converted, assumed, substituted, continued, or replaced (with substantially identical economic terms) by a successor or surviving entity, or a parent or subsidiary thereof, in connection with the Change in Control event, then the Performance Shares (as adjusted under this Section 4(c)(i)) shall become vested, subject to Participant's continuous employment, on the last day of the Performance Period. In the event that the Participant's employment terminates before the last day of the Performance Period, the Performance Shares shall be forfeited; provided, however, if Participant experiences a Covered Termination (as defined below) prior to the last day of such Performance Period, then all of the Performance Shares (as adjusted under this Section 4(c)(i)) shall become immediately vested as of the date of the Covered Termination, and, provided, further, if the Participant dies, becomes Disabled or Retires prior to the last day of such Performance Period, the Participant or the Participant's estate or beneficiary(ies) shall receive a pro rata portion of the Performance Shares (as adjusted under this Section 4(c)(i)), such pro rata portion determined in the same manner as set forth below in Section 4(c)(ii).

(D) Definitions. For purposes of this Section 4(c)(i):

- (I) "Covered Termination" means (a) the termination of the Participant's employment with the Company or the successor or surviving entity, or a parent or subsidiary thereof, in connection with the Change of Control event, within the period commencing 90 days prior to, and ending two years following such Change in Control event (the "Applicable Period") without Cause (as defined below), or (b) Participant's resignation for Good Reason (as defined below) during the Applicable Period.
- (II) "Cause" means (a) failure of the Participant to adequately perform his or her duties assigned by the Committee; or (b) any act or acts of gross dishonesty or gross misconduct on the Participant's part which result or are intended to result directly or indirectly in gain or personal enrichment at the expense of the Company or its subsidiaries to which the Participant is not legally entitled.
- (III) "Good Reason" means (a) a material diminution of the Participant's authority, duties or responsibilities

from those being exercised and performed by the Participant immediately prior to the Change in Control event; (b) a transfer of the Participant to a location which is more than 75 miles away from the location where the Participant was employed immediately prior to the Change in Control event; (c) a material diminution in the rate of the Participant's annual salary below his or her rate of annual salary immediately prior to the Change in Control event; (d) a material diminution in the Participant's annual target bonus opportunity below his or her annual target bonus opportunity immediately prior to the Change in Control event; or (e) a material breach by the Company of any incentive award agreement covering the Participant; provided, however, that Good Reason shall not be deemed to exist unless the Participant has first provided notice to the Company of the existence of one of the events described above within a period of 90 days from the initial existence of the event, and after such notice the Company has been provided a period of 30 days to eliminate the existence of Good Reason.

*(ii) Effect of Death, Disability and Retirement on Settlement.*

(A) Upon Participant's termination of employment due to Disability or "Retirement", no forfeiture or accelerated settlement of the Performance Shares shall occur (except as provided in Section 4(c)(i) above). Rather, on the Scheduled Settlement Date following the Applicable Committee Meeting, if Certification occurs, a pro rata portion of the Performance Shares subject to this Agreement shall be settled based on the period of time in the Performance Period that elapsed prior to Participant's termination of employment.

(B) Upon Participant's termination of employment due to death, settlement shall be accelerated such that a pro rata portion of the Performance Shares subject to this Agreement shall be settled based on the period of time in the Performance Period that elapsed prior to the Participant's death. Such pro rata settlement shall occur as if goal achievement occurred at the level resulting in settlement of 100% of the Performance Shares subject to each applicable Performance Measure and shall be settled as soon as practicable following Participant's death.

For purposes of this Section 4(c)(ii), any pro rata portion of the Performance Shares being settled shall be determined by (I) dividing the aggregate number of Performance Shares Participant would have been entitled to receive had he or she been employed through the end of the Performance Period by 36 (i.e., the number of calendar months in the

Performance Period), and then (II) multiplying the quotient obtained in (I) by the number of whole months elapsed from the commencement of the 20\_\_ fiscal year to the date of Participant's death or termination of employment due to Disability or Retirement. For purposes of this pro rata calculation, Participant must have been actively employed as a full-time employee for an entire calendar month in the Performance Period to receive credit that month.

For purposes of this Agreement "Retirement" means a Participant's termination of employment for the express reason of retirement, as determined by the Committee in its sole discretion, for which Participant has provided the Company at least 6 months' prior notice and occurs (a) on or after age 55 and following a minimum number of years of employment with the Company such that Participant's age plus the number of years of employment with the Company equals or exceeds 72, or (b) on or after age 65. Unless otherwise determined by the Committee, Participant must (1) have been actively employed as a full-time employee for an entire calendar year to receive credit for such year of employment for purposes of this definition of "Retirement" and (2) have been actively employed as a full-time employee for six months following the Date of Award to qualify as a "Retirement" for the purposes of this Agreement. If Participant is not actively employed as a full-time employee for six months following the Date of Award, the Award will not be administered as subject to a "Retirement" under this Agreement.

(d) Forfeiture. Subject to the other provisions of this Section 4, all rights relating to any non-settled Performance Shares shall be forfeited if either (A) Certification does not occur prior to or on the Deadline, or (B) Participant ceases to be employed by the Company during the Performance Period (except as provided in Section 4(c) above). Participant is not deemed to have terminated employment through, and Participant's rights relating to the Performance Shares shall not be forfeited solely as a result of, any change in Participant's duties or position or Participant's temporary leave of absence approved by the Company. Upon any such forfeiture, under no circumstances will the Company be obligated to make any payment to Participant, and no shares of Stock shall be issued, as a result of such forfeited Performance Shares.

(e) Share Issuance. Except as otherwise provided herein, upon the settlement of a specific number of Performance Shares, for shares of Stock, as provided in Paragraphs 4(b) or (c), the Company shall issue a corresponding number of shares of Stock to Participant on the Settlement Date, provided that tax withholding obligations have been satisfied as provided in Section 5. The Company's transfer agent may issue shares of Stock in certificated or book entry form as determined by the Company's Corporate Secretary. Upon issuance of the Shares, Participant shall have all rights of a shareholder with respect thereto including the right to vote and receive all dividends or other distributions made or paid with respect to the shares of Stock.

(f) Payments to Third Party. Upon death of Participant followed by a valid written request for payment, the shares of Stock, to the extent eligible to be issued, shall be issued as soon as administratively practical to Participant's beneficiary named in a written beneficiary designation filed with the Company's Corporate Secretary on a form for the Plan or, if there is no such designated beneficiary, to Participant's executor or administrator or other personal representative acceptable to the Corporate Secretary. Any request to pay any person or persons other than Participant shall be accompanied by such documentation as the Company may reasonably require, including without limitation, evidence satisfactory to the Company of the authority of such person or persons to receive the payment.

5. Tax Withholding; Withholding with Stock. The Company's obligations to issue Shares in connection with the settlement of any Performance Shares is subject to the Participant's satisfaction of all applicable federal, state and local income and other tax (including Social Security and Medicare taxes) withholding requirements. Unless specifically denied by the Committee, Participant may elect to pay any portion of the required tax withholding amounts (or greater amounts if permitted by the Committee) by electing to have the Company withhold upon settlement a number of Shares having a Fair Market Value on the withholding date equal to the minimum amount (or greater amount if permitted by the Committee) elected to be withheld by the Participant. Any withholding obligations satisfied through the withholding of Shares shall be in accordance with any rules or established procedures for election by Participant including any rules or restrictions relating to the period of time any previously acquired Shares have been held or owned, the timing of any elections, the irrevocability of any elections, or any special rules relating to Participant if Participant is an officer or trustee of the Company within the meaning of Section 16 of the 1934 Act.

6. Dividends and Voting. Prior to a Performance Share settlement date, Participant shall have no right to receive any dividends or dividend equivalent payments with respect to the Performance Shares. Participant will have no voting rights with respect to any of the Performance Shares.

7. Administration. This Award has been made pursuant to a determination made by the Committee, subject to the express terms of this Agreement, and the Committee shall have plenary authority to interpret any provision of this Agreement and to make any determinations necessary or advisable for the administration of this Agreement and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Participant by the express terms hereof.

8. No Right to Continued Service. Nothing in this Agreement shall be deemed to create any limitation or restriction on such rights as the Company otherwise would have to terminate the employment of Participant.

9. Compliance with Section 409A. Notwithstanding any provision in this Agreement or the Plan to the contrary, this Agreement shall be interpreted and administered in accordance with Code Section 409A and regulations and other guidance issued thereunder ("Section 409A"). For purposes of determining whether any payment

made pursuant to this Agreement results in a “deferral of compensation” within the meaning of Treasury Regulation 1.409A-1(b), Company shall maximize the exemptions described in such section, as applicable. Any reference to a “termination of employment” or similar term or phrase shall be interpreted as a “separation from service” within the meaning of Section 409A. If any deferred compensation payment is payable while Participant is a “specified employee” under Section 409A, and payment is due because of separation from service for any reason other than death, then payment of such amount shall be delayed for a period of six months and paid in a lump sum on the first payroll payment date following the earlier of the expiration of such six month period or Participant's death. To the extent any payments under this Agreement are made in installments, each installment shall be deemed a separate payment for purposes of Section 409A and the regulations issued thereunder. Participant or his or her beneficiary, as applicable, shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on Participant or his or her beneficiary in connection with any payments to Participant or his or her beneficiary pursuant to this Agreement, including but not limited to any taxes, interest and penalties under Section 409A, and Company shall have no obligation to indemnify or otherwise hold Participant or his or her beneficiary harmless from any and all of such taxes and penalties.

10. Amendment. This Award Agreement may be amended only by a writing executed by the parties hereto which specifically states that it is amending this Award Agreement.

11. Governing Law. The laws of the State of Delaware will govern the interpretation, validity and performance of this Award Agreement regardless of the law that might be applied under principles of conflicts of laws. Participant is deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Missouri to resolve any and all issues that may arise out of or relate to this Award Agreement.

12. Clawback Policy. The Performance Shares may be subject to certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”), the Company’s Executive Compensation Recoupment Policy or any other compensation clawback policy that is adopted by the Committee and that will require the Company to be able to claw back compensation paid to its executives under certain circumstances. Participant acknowledges that the Performance Shares may be clawed back by the Company in accordance with any policies and procedures adopted by the Committee in order to comply with Dodd Frank or as set forth in this Award Agreement.

13. Entire Agreement and Binding Effect. This Award Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof. Except as expressly stated herein to the contrary, this Agreement will be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto.

14. Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

The Company has caused this Agreement to be executed on its behalf, and Participant has signed this Agreement to evidence Participant's acceptance of the terms hereof, all as of the date first above written.

**JACK HENRY & ASSOCIATES, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**PARTICIPANT**

\_\_\_\_\_

Name: \_\_\_\_\_

APPENDIX A TO PERFORMANCE SHARES AWARD AGREEMENT  
GRANT  
Executive

CLIFF SETTLEMENT

(Settlement occurs based upon the level of achievement of the Performance Measures)

Achievement of the Performance Measures set forth below for the Performance Period (FY20\_\_-FY20\_\_) ("Performance Condition") is required for settlement, and settlement may occur no earlier than the first (1<sup>st</sup>) business day following the Applicable Committee Meeting (the "Scheduled Settlement Date"), except in the case of a Change in Control or as otherwise provided in the Agreement and this Appendix.

Calculation of the number of Performance Shares eligible to be settled depends on (i) the applicable percentage of the Performance Shares that are subject to Total Stockholder Return ("TSR") measures of the Company and the level of achievement of the Company's TSR compared to the applicable comparator group, (ii) the applicable percentage of the Performance Shares that are subject to a three-year Organic Revenue Growth (CAGR) measure of the Company and the level of achievement of the Company against specified thresholds, and (iii) the applicable percentage of the Performance Shares that are subject to a three-year Non-GAAP Operating Margin Expansion measure of the Company and the level of achievement of the Company against specified thresholds.

The TSR measure, the Organic Revenue Growth (CAGR) measure, and the Non-GAAP Operating Margin Expansion measure are each subject to certain measurement and adjustment principles as set forth immediately following each applicable measuring goal below. In addition, the Committee has the sole discretion to administer, interpret and make adjustments as necessary to determine the number of the Performance Shares that should vest, if any, based on each of the measures.

**TSR Measuring Goal -- Performance Against S&P Composite 1500 Software & Services Group Index ("S&P 1500 S&S") plus Compensation Peer Group**

**Number of Shares Subject to TSR Measuring Goal:** \_\_\_\_\_ Performance Shares

**Applicable Measuring Goal:** The Company's ending TSR percentile rank against the TSRs of the companies in (a) the S&P 1500 S&S (including the Company), plus (b) any members of the Company's compensation peer group not otherwise included in the S&P 1500 S&S, for the three (3) fiscal years ending June 30, 20\_\_.

**Percentage of Performance Shares Vesting Based on Percentile Ranking:** The percentage of Performance Shares eligible to be settled shall be determined in accordance with the following schedule:

<u>Company's TSR Compared to Measuring Peer Group</u>	<u>Percentage of Performance Shares Eligible to be Settled*</u>
< 25 <sup>th</sup> percentile	0% of Performance Shares (0 shares)
25 <sup>th</sup> percentile	25% of Performance Shares (____ shares)
50 <sup>th</sup> percentile	100% of Performance Shares (____ shares)
80 <sup>th</sup> percentile or Greater	200% of Performance Shares (____ shares)

\*The percentage of Performance Shares eligible to be settled when the Company's TSR for the Performance Period falls in between any of the above-listed percentiles shall be determined using linear interpolation between the immediately preceding and immediately following data-points.

**General Principles for TSR Measuring Goal**

For purposes of TSR Measuring Goal, TSR (for each company's stock taken into account in the TSR calculation) is calculated as follows:

(i) The closing stock price (average of the closing prices for the trading days during the 30 consecutive calendar days ending on June 30, 20\_\_) plus reinvested dividends paid during the Performance Period;

*Divided by*

(ii) The beginning stock price (average of the closing prices for the trading days during the 30 consecutive calendar days ending on June 30, 20\_\_).

For this purpose, closing price means the last reported market price for one share of stock, regular way, on the exchange or stock market on which such last reported market price is reported on the day in question.

The TSR comparator group will be only those companies in the S&P 1500 S&S or in the Company's compensation peer group at both the beginning of the Performance Period and at the end of the Performance Period, subject to the following exceptions:

- Companies within the TSR Measuring Goal comparator group on June 30, 20\_\_, that file for bankruptcy or whose shares are otherwise delisted shall continue to be counted at the end of the Performance Period and shall be considered at the bottom of the peer group for ranking purposes or given a -100% performance under a percentile method.

- Companies within the TSR Measuring Goal comparator group on June 30, 20\_\_ that are merged into another entity during the Performance Period, shall be removed from the comparator group both at the beginning and the end of the Performance Period.

**Measuring Peer Group:** The following is the Company's comparator group for purposes of this TSR Measuring Goal:

**S&P 1500 S&S**

- 8x8, Inc.
- Accenture plc
- ACI Worldwide, Inc.
- Adobe Inc.
- Agilysys, Inc.
- Akamai Technologies, Inc.
- Alarm.com Holdings, Inc.
- Alliance Data Systems Corporation
- ANSYS, Inc.
- Aspen Technology, Inc.
- Autodesk, Inc.
- Automatic Data Processing, Inc.
- Blackbaud, Inc.
- Bottomline Technologies (de), Inc.
- Broadridge Financial Solutions, Inc.
- Cadence Design Systems, Inc.
- CDK Global, Inc.
- Cerence Inc.
- Ceridian HCM Holding Inc.
- Citrix Systems, Inc.
- Cognizant Technology Solutions Corporation
- Commvault Systems, Inc.
- Concentrix Corporation
- CSG Systems International, Inc.
- DXC Technology Company
- Ebix, Inc.
- Envestnet, Inc.
- EVERTEC, Inc.
- ExlService Holdings, Inc.
- Fair Isaac Corporation
- Fidelity National Information Services, Inc.
- Fiserv, Inc.
- FLEETCOR Technologies, Inc.
- Fortinet, Inc.
- Gartner, Inc.
- Genpact Limited
- Global Payments Inc.
- InterDigital, Inc.
- International Business Machines Corporation
- Intuit Inc.
- J2 Global, Inc.
- Jack Henry & Associates, Inc.
- LivePerson, Inc.
- LiveRamp Holdings, Inc.
- Manhattan Associates, Inc.
- Mastercard Incorporated
- Maximus, Inc.
- Microsoft Corporation
- MicroStrategy Incorporated
- NortonLifeLock Inc.
- OneSpan Inc.
- Oracle Corporation
- Paychex, Inc.
- Paycom Software, Inc.
- Paylocity Holding Corporation
- PayPal Holdings, Inc.
- Perficient, Inc.
- Progress Software Corporation
- PTC Inc.
- Qualys, Inc.
- Sabre Corporation
- SailPoint Technologies Holdings, Inc.
- salesforce.com, inc.
- ServiceNow, Inc.
- SPS Commerce, Inc.
- Sykes Enterprises, Incorporated
- Synopsys, Inc.
- Teradata Corporation
- The Western Union Company
- TTEC Holdings, Inc.
- Tyler Technologies, Inc.
- Unisys Corporation
- VeriSign, Inc.
- Visa Inc.
- Vonage Holdings Corp.
- WEX Inc.
- Xperi Holding Corporation

**Compensation Peers Not Included in S&P 1500 S&S**

- Black Knight, Inc.
- Euronet Worldwide, Inc.
- NCR Corporation
- Square, Inc.
- SS&C Technologies Holdings, Inc.
- Verint Systems Inc.

## Organic Revenue Growth (CAGR) Measuring Goal

**Number of Shares Subject to Organic Revenue Growth (CAGR) Measuring Goal:** \_\_\_\_\_ Performance Shares

**Applicable Measuring Goal:** The Company's compound annual growth rate ("CAGR") for revenue (adjusting for deconversion fees) for the three-year period ending June 30, 20\_\_ compared against goal thresholds.

**Percentage of Performance Shares Vesting Based on Outcome:** The percentage of Performance Shares eligible to be settled shall be determined in accordance with the following schedule:

<u>Company's Three-Year Organic Revenue Growth (CAGR)</u>	<u>Percentage of Performance Shares Eligible to be Settled*</u>
< 6.5%	0% of Performance Shares (0 shares)
6.5%	50% of Performance Shares (____ shares)
7.5%	100% of Performance Shares (____ shares)
9.0%	200% of Performance Shares (____ shares)

\*The percentage of Performance Shares eligible to be settled when the Company's Organic Revenue Growth (CAGR) for the Performance Period falls in between any of the above-listed percentages shall be determined using linear interpolation between the immediately preceding and immediately following data-points.

### General Principles for Organic Revenue Growth (CAGR) Measuring Goal

For purposes of Organic Revenue Growth (CAGR) Measuring Goal, the following principles will apply:

- (i) Non-GAAP revenue will be calculated by adjusting GAAP revenue for the relevant periods for deconversion fee revenue.
- (ii) Organic Revenue Growth (CAGR) is calculated as follows:
  - (a) The quotient equal to the Company's non-GAAP revenue for the final Performance Year of the Performance Period *divided by* the Company's non-GAAP revenue for the fiscal year ending immediately prior to the beginning of the Performance Period.  
*Raised to an exponent of*
    - (b) one-third  
*Subtracting from the result of (a) and (b)*
    - (c) 1.
  - (iii) If there is any acquisition or divestiture by the Company during the Performance Period, the Compensation Committee will adjust the goal and/or results to ensure Participant is neither benefited nor penalized by the acquisition or divestiture. This will be accomplished by:
    - (a) Adjusting the goal to reflect the "pro forma" revenue based on the approved deal modeling and expectations.
    - (b) Removing any one-time costs and/or transaction related fees.

(c) Fully excluding any deal that occurs in year three of the Performance Period from goals and results.

### Non-GAAP Operating Margin Expansion

**Number of Shares Subject to Non-GAAP Operating Margin Expansion Measuring Goal:** \_\_\_\_\_ Performance Shares

**Applicable Measuring Goal:** The expansion of the Company's non-GAAP operating margin over the three-year period ending June 30, 20\_\_ compared against goal thresholds.

**Percentage of Performance Shares Vesting Based on Percentile Ranking:** The percentage of Performance Shares eligible to be settled shall be determined in accordance with the following schedule:

<u>Company's Three-Year</u> <u>Non-GAAP Operating Margin Expansion</u>	<u>Percentage of Performance Shares</u> <u>Eligible to be Settled*</u>
< 1.0%	0% of Performance Shares (0 shares)
1.0%	50% of Performance Shares (____ shares)
1.4%	100% of Performance Shares (____ shares)
2.1%	200% of Performance Shares (____ shares)

\*The percentage of Performance Shares eligible to be settled when the Company's Non-GAAP Operating Margin Expansion for the Performance Period falls in between any of the above-listed percentiles shall be determined using linear interpolation between the immediately preceding and immediately following data-points.

### General Principles for Non-GAAP Operating Margin Expansion Measuring Goal

For purposes of Non-GAAP Operating Margin Expansion Measuring Goal, the following principles will apply:

- (i) Non-GAAP revenue will be calculated by adjusting GAAP revenue for the relevant periods for deconversion fee revenue.
- (ii) Non-GAAP operating income will be calculated by adjusting GAAP operating income for the relevant periods for operating income from deconversion fees and operating income/loss from acquisitions, divestitures and asset write-offs:
- (iii) Non-GAAP Operating Margin Expansion is calculated as follows:
  - (a) An amount equal to non-GAAP operating income for the final Performance Year of the Performance Period *divided by* Non-GAAP revenue for the final Performance Year of the Performance Period
  - Less*
  - (b) An amount equal to non-GAAP operating income for the fiscal year ending immediately prior to the beginning of the Performance Period *divided by* non-GAAP revenue for the fiscal year ending immediately prior to the beginning of the Performance Period
- (iv) If there is any acquisition or divestiture by the Company during the Performance Period, the Compensation Committee will adjust the goal and/or results to ensure Participant is neither benefited nor penalized by the acquisition or divestiture. This will be accomplished by:

- (a) Adjusting the goal to reflect the “pro forma” revenue and operating income based on the approved deal modeling and expectations.
- (b) Removing any one-time costs and/or transaction related fees.
- (c) Fully excluding any deal that occurs in year three of the Performance Period from goals and results.

**JACK HENRY & ASSOCIATES, INC.  
2015 EQUITY INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AGREEMENT  
(Employees)**

Date of Award: \_\_\_\_\_

Number of RSUs Granted: \_\_\_\_\_ (the "Award")

THIS AWARD AGREEMENT dated \_\_\_\_\_ is made by and between Jack Henry & Associates, Inc., a Delaware corporation (hereinafter called the "Company"), and \_\_\_\_\_ (hereinafter called "Awardee").

**RECITALS:**

A. The Company's stockholders and Board of Directors of the Company ("Board") has adopted the Jack Henry & Associates, Inc. 2015 Equity Incentive Plan ("Plan") pursuant to which restricted stock units may be granted to employees of the Company; and

B. The Company desires to grant restricted Stock Units ("RSUs") to Awardee under the terms and conditions hereinafter set forth;

**AGREEMENT:**

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Award Subject to Plan. This Award is made under and is expressly subject to all the terms and provisions of the Plan, and which terms are incorporated herein by reference. Awardee agrees to be bound by all the terms and provisions of the Plan. Terms not defined herein shall have the meaning ascribed thereto in the Plan.

2. Grant of Award. Pursuant to the action of the undersigned officer as authorized by the Board, which action was taken on the date set forth above as Date of Award, the Company awards to Awardee the number of Restricted Stock Units identified above. Subject to the other terms and conditions of the Plan and this Agreement, settlement of each RSU as provided in Section 4 entitles Awardee to the issuance of one share of Common Stock, or, if permitted under the Plan and where the Board elects to settle an RSU for cash, a cash payment equal to the fair market value of the share underlying the RSU that the Board elects to settle for cash.

3. Restrictions. Except as may be permitted under the Plan or by the Board, the RSUs are not transferable by sale, assignment, disposition, gift, exchange, pledge, hypothecation, or otherwise. Any attempted disposition of the RSUs, or the levy of any execution, attachment or similar process upon the RSUs prior to settlement, shall

be null and void and without effect. Holding RSUs does not give Awardee the rights of a shareholder (including without limitation the right to vote or receive dividends or other distributions) with respect to shares of Common Stock underlying the RSUs that the Company may issue under the terms and conditions of this Agreement.

4. Settlement, Forfeiture and Share Issuance.

(a) Settlement Dates. The RSUs awarded hereunder shall settle according to the following schedule (each anniversary, a “Settlement Date”), with the percentages below being applied to the Award by rounding down to the nearest whole share:

Anniversary of Date of Award    Percentage Settled

First Anniversary	33 1/3%
Second Anniversary	33 1/3%
Third Anniversary	33 1/3%

(b) Form of Settlement. To the extent permissible under the Plan, the Committee, in its sole discretion, may elect to settle an RSU by issuing shares of Common Stock or by making a cash payment to Awardee in an amount equal to the then fair market value of the share of Common Stock underlying the RSU being settled, less any amounts necessary to satisfy the Company’s tax withholding obligations.

(c) Forfeiture.

(i) Subject to the other provisions of this Section 4, all remaining non-settled RSUs shall be forfeited if Awardee ceases to be an employee of the Company prior to any of the Settlement Dates. Upon any such forfeiture, under no circumstances will the Company be obligated to make any payment to Awardee, and no shares of Common Stock shall be issued, as a result of such forfeited RSUs.

(ii) Notwithstanding the foregoing, if Awardee ceases to be an employee of the Company by reason of Retirement prior to full settlement of the RSUs awarded hereunder, then the Awardee shall be entitled to settlement of any non-settled RSUs according to the remaining Settlement Date schedule, and such settlement shall be made in accordance with Section 4(b). However, if, following a termination of employment by reason of Retirement, Awardee breaches any of the covenants set forth in Section 4(e) hereof, all remaining non-settled RSUs shall be forfeited pursuant to Section 4(c)(i) effective as of such breach.

(iii) For purposes of this Agreement, a “Retirement” means an Awardee’s termination of employment for the express reason of retirement, as determined by the Committee in its sole discretion, for which Awardee has provided the Company at least 6 months’ prior notice and occurs (A) on or after age 55 and following a minimum number of years of employment with the Company such that Awardee’s age plus the

number of years of employment with the Company equals or exceeds 72, or (B) on or after age 65. Unless otherwise determined by the Committee, Awardee must (1) have been actively employed as a full-time employee for an entire calendar year to receive credit for such year of employment for purposes of this definition of “Retirement” and (2) have been actively employed as a full-time employee for six months following the Date of Award to qualify as a “Retirement” for the purposes of this Agreement. If Awardee is not actively employed as a full-time employee for six months following the Date of Award, the Award will not be administered as subject to a “Retirement” under this Agreement.

(d) Share Issuance; Company Stock Ownership Guidelines.

(i) Except as otherwise provided herein, upon the settlement of a specific number of RSUs for shares of Common Stock as provided in this Section, the Company shall issue a corresponding number of shares of Common Stock to Awardee on the Settlement Date provided that tax withholding obligations have been satisfied as provided in Section 5. The Company’s transfer agent may issue shares of Common Stock in certificated or book entry form as determined by the Company’s Corporate Secretary. Upon issuance of the Shares, Awardee shall have all rights of a shareholder with respect thereto including the right to vote and receive all dividends or other distributions made or paid with respect to the shares of Common Stock.

(ii) Any Shares acquired by Awardee on the Settlement Date pursuant to this Award may be subject to any Company stock ownership guidelines or stock ownership policy as determined appropriate by the Committee and communicated to Awardee. Awardee agrees that Awardee will comply with and adhere to such stock ownership guidelines or stock ownership policy.

(e) Restrictive Covenants in the event of Retirement.

(i) Awardee acknowledges that in consideration of the continued vesting of RSUs after Awardee ceases to be an employee of the Company by reason of Retirement, Awardee shall, from the time of Retirement through the final Settlement Date hereunder (the “Restrictive Period”), abide by the restrictive covenants in Section 4(e)(ii), (iii), and (iv) hereunder (together, the “Restrictive Covenants”). Awardee further acknowledges that a failure to abide by the Restrictive Covenants during the Restrictive Period shall result in forfeiture of non-settled RSUs pursuant to Section 4(c)(ii).

(ii) During the Restrictive Period, Awardee agrees and covenants not to engage in Prohibited Activity anywhere in the United States. For purposes of this Section 4(e)(ii), “Prohibited Activity” is any activity in which the Awardee serves as an employee, employer, owner, operator, manager, advisor, consultant, agent, partner, director,

stockholder, officer, volunteer, or any similar capacity to an entity engaged in the same or similar business as the Company. Nothing herein shall prohibit the Awardee from purchasing or owning less than five percent (5%) of the publicly traded securities of any corporation, provided that such ownership represents a passive investment and the Awardee is not a controlling person of, or a member of a group that controls, such corporation.

(iii) During the Restrictive Period, Awardee agrees and covenants not to directly or indirectly (i) solicit, contact, aid, or induce, or attempt to solicit, contact, aid, or induce, using any form of oral, written, or electronic communication, any current, former, or prospective customer of the Company for the purpose of purchasing goods or services then sold by the Company from any other person, firm, corporation, or other entity or assist or aid any other person or entity in identifying or soliciting any such customer, (ii) solicit, hire, recruit, attempt to hire or recruit, or to induce or attempt to induce the termination of employment of any employee of the Company, or (iii) interfere, or aid or induce any other person or entity in interfering, with the relationship between the Company and any of its vendors, joint venturers, or licensors.

(iv) During the Restrictive Period, Awardee agrees and covenants that Awardee will not make, publish, or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments, or statements concerning the Company or its businesses, or any of its employees or officers. The foregoing shall not be violated by exercising protected legal rights to the extent that such rights cannot be waived by agreement or from providing truthful statements in response to legal process, required governmental testimony or filings, or similar proceedings.

(v) The Company and Awardee acknowledge that the Restrictive Covenants are reasonable and reasonably necessary to protect the legitimate business interest of the Company. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 4(e) is excessive in duration or scope or is unreasonable or unenforceable under applicable law, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the laws of that state.

(f) Effect of Change in Control on Award and Settlement.

(i) In the event a Change in Control occurs prior to full settlement of the RSUs awarded hereunder and this Award Agreement is not converted, assumed, substituted, continued, or replaced (with substantially identical economic terms) by a successor or surviving entity, or a parent or subsidiary thereof, in connection with such Change in Control event, then, immediately prior to the Change in Control event, all remaining non-settled RSUs shall vest in full and be issued.

(ii) In the event that this Award Agreement is converted, assumed, substituted, continued, or replaced (with substantially identical economic terms) by a successor or surviving entity, or a parent or subsidiary thereof, in connection with the Change in Control event, if Awardee's employment terminates prior to the final Settlement Date, all remaining non-settled RSUs shall be forfeited; provided, however, if Awardee experiences a Covered Termination (as defined below) prior to the final Settlement Date, then all remaining non-settled RSUs shall vest in full and be issued.

(iii) For purposes of this Section 4(f), "Covered Termination" means (A) the termination of the Awardee's employment with the Company or the successor or surviving entity, or a parent or subsidiary thereof, in connection with the Change of Control event, within the period commencing 90 days prior to, and ending two years following such Change in Control event (the "Applicable Period") without Cause (as defined below), or (B) Awardee's resignation for Good Reason (as defined below) during the Applicable Period.

(iv) For purposes of this Section 4(f), "Cause" means (A) failure of the Awardee to adequately perform his or her duties assigned by the Committee; or (B) any act or acts of gross dishonesty or gross misconduct on the Awardee's part which result or are intended to result directly or indirectly in gain or personal enrichment at the expense of the Company or its subsidiaries to which the Awardee is not legally entitled.

(v) "Good Reason" means (A) a material diminution of the Awardee's authority, duties or responsibilities from those being exercised and performed by the Awardee immediately prior to the Change in Control event; (B) a transfer of the Awardee to a location which is more than 75 miles away from the location where the Awardee was employed immediately prior to the Change in Control event; (C) a material diminution in the rate of the Awardee's annual salary below his or her rate of annual salary immediately prior to the Change in Control event; (D) a material diminution in the Awardee's annual target bonus opportunity below his or her annual target bonus opportunity immediately prior to the Change in Control event; or (E) a material breach by the Company of any incentive award agreement covering the Awardee; provided, however, that Good Reason shall not be deemed to exist unless the Awardee has first provided notice to the Company of the existence of one of the events described above within a period of 90 days from the initial existence of the event, and after such notice the Company has been provided a period of 30 days to eliminate the existence of Good Reason.

5. Tax Withholding. Awardee understands and agrees that, at the time any tax withholding obligation arises relating to the vesting of the right to receive, or the issuance of a share of Common Stock or, if permitted under the Plan, a cash payment, the Company may withhold, in shares of Common Stock if a valid election applies under

this Section 5 or in cash from amounts the Company owes or will owe Awardee, any applicable minimum withholding, payroll and other required tax amounts due upon the issuance of shares of Common Stock or cash payment. Tax withholding may be made by any means permitted under the Plan, as approved by the Committee, and as permitted under the law. The valuation of the RSUs, and any shares of Common Stock that the Company may issue attributable to RSUs, for tax and other purposes shall be determined in accordance with all applicable laws and regulations. In the absence of the satisfaction of tax obligations, the Company may refuse to issue shares of Common Stock or make any other payment hereunder.

6. Dividends and Voting. Prior to an RSU settlement date, Awardee shall have no right to receive any dividends or dividend equivalent payments with respect to the RSUs. Awardee will have no voting rights with respect to any of the RSUs or the shares of Common Stock underlying the RSUs.

7. Administration. This Award has been made pursuant to a determination made by the Board, or a committee authorized by the Board, subject to the express terms of this Agreement, and the Board or such committee shall have plenary authority to interpret any provision of this Agreement and to make any determinations necessary or advisable for the administration of this Agreement and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Awardee by the express terms hereof.

8. No Right to Continued Service. Nothing in this Agreement shall be deemed to create any limitation or restriction on such rights as the Company otherwise would have to terminate the employment of the Awardee.

9. Amendment; Entire Agreement and Binding Effect. This Agreement may be amended only by a writing executed by the parties hereto which specifically states that it is amending this Agreement. This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof. Except as expressly stated herein to the contrary, this Agreement will be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto.

10. Choice of Law. This Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Agreement to the substantive law of another jurisdiction. Awardee is deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Missouri to resolve any and all issues that may arise out of or relate to this agreement.

The Company has caused this Agreement to be executed on its behalf, and Awardee has signed this Agreement to evidence Awardee's acceptance of the terms hereof, all as of the date first above written.

**JACK HENRY & ASSOCIATES, INC.**

By: \_\_\_\_\_  
Title: CFO/Treasurer

**AWARDEE**

\_\_\_\_\_  
Name:

EXHIBIT 21.1

**Jack Henry & Associates, Inc. Subsidiaries**

<b>Name</b>	<b>State/Country of Incorporation</b>
Goldleaf Insurance, LLC	Tennessee
JHA Payment Solutions, Inc.	Washington
Towne Services, Inc.	Georgia
iPay Technologies, LLC	Kentucky
Profitstars, LLC	Missouri
JHA Money Center, Inc.	Missouri
Banno, LLC	Iowa
Ensenta Corporation	Delaware
Vanguard Software Group, LLC	Nevada
DebtFolio, Inc. (dba Geezeo)	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-63912, 333-130078, 333-130079, 333-138891, 333-208234, 333-214631 and 333-220169) of Jack Henry & Associates, Inc. of our report dated August 25, 2021 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Kansas City, Missouri  
August 25, 2021

**CERTIFICATION**

I, David B. Foss, certify that:

1. I have reviewed this annual report on Form 10-K of Jack Henry & Associates, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 25, 2021

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

**CERTIFICATION**

I, Kevin D. Williams, certify that:

1. I have reviewed this annual report on Form 10-K of Jack Henry & Associates, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 25, 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 Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 25, 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 Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 25, 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.