FORWARD

2020 / ANNUAL REPORT

jack henry & ASSOCIATES INC.®

A SMOOTH SEA NEVER MADE A SKILLED SAILOR

—*FRANKLIN D. ROOSEVELT*

TABLE OF CONTENTS

2 Financial Highlights

3 Shareholders' Letter

5 Forward

13 Business

22 Market for Registrant's Common Equity

23 Performance Graph

24 Selected Financial Data

24 Management's Discussion and Analysis

36 Quantitative and Qualitative Disclosures About Market Risk

37 Financial Statements and Supplementary Data

66 Quarterly Financial Information

70 Board of Directors and Executive Officers

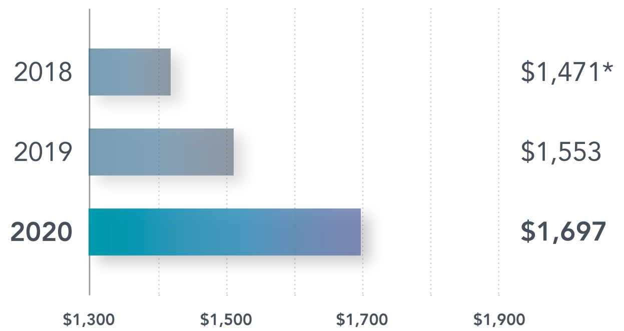
FORWARD LOOKING STATEMENTS

Some of the information we provide in this document is forward-looking and therefore could change over time to reflect changes in the environment in which Jack Henry competes. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section titled "Risk Factors" in our Form 10-K for the fiscal year ended June 30, 2020. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

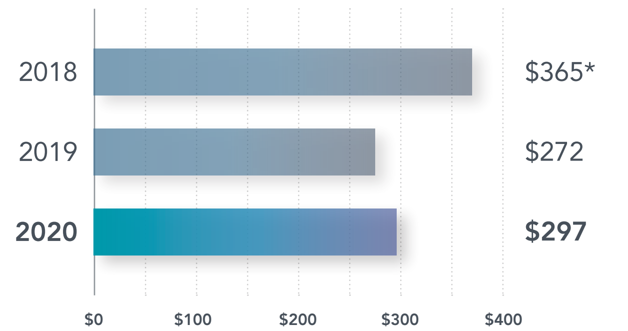
FINANCIAL HIGHLIGHTS

(In millions except per share data)

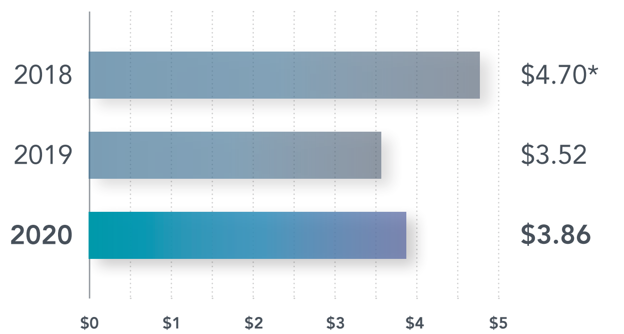
REVENUE



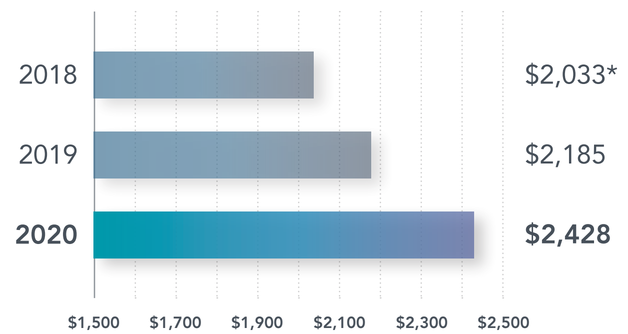
NET INCOME



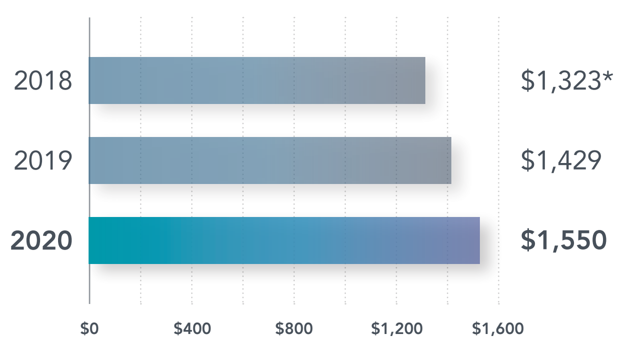
DILUTED EARNINGS PER SHARE



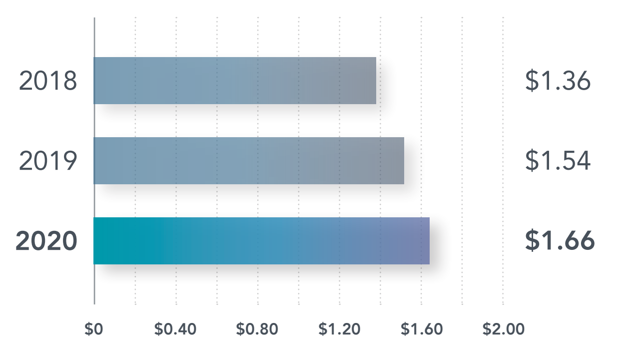
TOTAL ASSETS



STOCKHOLDERS' EQUITY



DIVIDENDS DECLARED PER SHARE



**Prior year restated for ASC606.*

SHAREHOLDERS' LETTER

FELLOW SHAREHOLDERS

Fiscal year 2020 was a year that none of us could have predicted. Our first half performance was very solid, but in the second half of our year, the coronavirus (COVID-19) pandemic began to have a significant impact on our company, including both the professional and personal lives of our associates. Despite the challenges, our operations teams continued to deliver great solutions and service to our clients, our sales team again exceeded their goals with no quota reductions related to the pandemic, and our disciplined approach to running the company successfully positioned us to weather the COVID-19 storm.

People who know Jack Henry & Associates, Inc.® (Jack Henry), know that the talent and dedication of our associates has always been a huge part of our company's success. As such, we know how important it is to take care of our people – all of the time, but especially in a time of crisis. COVID-19 created a slew of challenges that affected everyone's lives. Whether it was transitioning to a new way of working, juggling virtual learning for children, or managing our individual health and well-being, we all had to adjust. Early in March, our Human Resources team made changes to our medical plans and waived all out-of-pocket expenses related to COVID-19 for our covered associates and dependents, provided associates with 100% paid short-term disability for COVID-19 infections, and offered the opportunity to make mid-year changes to flexible spending account elections. Our corporate services team transitioned 96% of our workforce to a remote work environment within just four days. We empowered our associates to make the best decisions for them and their families and supported them in ways in which we were able.

Our corporate services team transitioned **96% of our workforce** to a remote work environment **within just four days.**

While the pandemic continued unfolding, we also entered a significant period of social unrest in our country. As an organization, we took a formal stance supporting racial justice and equity. Thankfully, our active Diversity and Inclusion (D&I) program helped us address questions and concerns, and guide necessary conversations related to racial justice and equity issues. Our initial D&I work started more than two years ago in the spirit of ***doing the right thing*** and attempting to always put our associates first. It began with a variety of training initiatives and the establishment of our first Business Innovation Group (BIG). We then identified the need for, and added, a full-time D&I leader to our team. Today, more than 2,000 Jack Henry associates claim membership in five very active, company-sponsored, employee-driven BIGs that provide a platform for all people, ideas, and thoughts to flourish, and help address business challenges. Additionally, our D&I team provides ongoing training, facilitates panel discussions, and works with the Jack Henry leadership team to ensure our work environment provides a safe space for our employees to thrive. We are particularly grateful to our team for the outstanding progress and long list of successes we've seen with this program so far.

More than **2,000 associates** have joined **Business Innovation Groups.**

Additionally this year, we took the next step to formally define and address our environmental, social, and governance (ESG) responsibilities for our shareholders. Although we have been very active in the social and governance aspects of ESG, we have not formalized a program until now. We recently named a Director of Corporate Responsibility and preliminary steps have been taken toward producing our first sustainability report which will be completed and published for shareholders in fiscal year 2021.

Our associates continue to be committed to our clients by delivering new technology solutions and upholding the level of customer service for which Jack Henry is known. Our service scores continue to remain high and following the transition to a remote work environment, scores actually increased. We also delivered a variety of new solutions to our clients this year including a broadened digital suite, new payments functionality including our faster payments platform, and a newly integrated personal financial management solution as a result of the Geezeo® business acquisition at the start of fiscal year 2020.

In early April, Jack Henry Lending responded quickly to the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in order to help our clients. Our teams worked tirelessly to create a solution within 48 hours which allowed banks and credit unions to be prepared to serve their customers and members quickly. This solution allowed many of our banks and credit unions to obtain new customers specifically because they were ready in advance of the Paycheck Protection Program (PPP) launch.

This year illustrated how important some of the fundamentals of our organization are. We are poised to continue stable growth, even in uncertain times such as the ongoing pandemic. We have 86% recurring revenue, a strong balance sheet with no debt which provides stability and flexibility, and a continued investment in research and development. We have paid a dividend for 121 consecutive quarters and, as we've stated publicly, we remain committed to our dividend policy. We will continue to do the right thing for our associates, customers, and shareholders as we adjust to the "new normal."

On behalf of our Board of Directors and entire leadership team, we want to express our gratitude for our dedicated associates, loyal customers, and the steadfast support of our shareholders. It has been a journey to navigate these uncharted waters, but we have weathered other challenging times and are excited to keep moving forward into fiscal year 2021 and our 45th year in business.

We have **86% recurring revenue**, a strong balance sheet with no debt which provides stability and flexibility, and a continued investment in research and development.

86%

DAVID FOSS
President and Chief Executive Officer

KEVIN WILLIAMS
Chief Financial Officer and Treasurer

FORWARD

A look at Jack Henry's fiscal year 2020 and how the organization navigated unprecedented market conditions and global circumstances.

Jack Henry's fiscal year 2020 moved forward swiftly. We completed an acquisition and made several positive leadership changes within the organization. As the calendar flipped to January 2020, the world around us changed quickly. Coast-to-coast, and around the globe, we were faced with the unknowns of COVID-19, the need for self-quarantine, and sudden economic impacts as a result. Through it all, Jack Henry's performance remained strong. We underscored our planning, execution, resiliency, and ultimately the commitment to our stakeholders. We rose to the occasion to do our part to keep our associates and clients moving forward. This fiscal year illustrated Jack Henry's innovation and leadership within the industry.

KEEP MOVING FORWARD

Kicking off fiscal year 2020, Jack Henry continued enhancing our digital platform with the acquisition of long-time business partner Geezeo. Having Geezeo join Jack Henry Digital and further integrated into the Banno Digital Platform™ brought exciting growth opportunities in our digital space while also allowing us to continue to provide our clients with personalized, seamless, fast yet appropriately simple digital banking solutions. Banno Digital Platform's open and user-centric Application Programming Interface allows for flexible integration within most bank and credit union online/mobile banking environments. This integration allows banks and credit unions to maintain their impactful branding, creating a more differentiated, yet personal digital connection that translates into higher revenue opportunities and customer engagement.

As we continued to integrate Geezeo into our organization, our Symitar® Educational Conference (SEC) and Jack Henry Annual Conference (JAC) began the fall season. Together, both events set record attendance. The number of clients and prospective clients that participated in the sessions emphasized the value we bring to those in the industry we serve and our partnerships going forward. In a continuing effort to improve our service to customers, we integrated the Symitar President and CEO Forum into SEC for the first time. In addition, we conducted our eighth annual Jack Henry Banking® Executive Forum as part of JAC. The forums are hosted exclusively for presidents and CEOs and provide non-technical information about the evolving financial services industry, business opportunities, and other issues facing today's banks and credit unions. The forums discussed lending; digital banking and transformation; industry trends, priorities, and concerns; an open banking panel; and other topics.

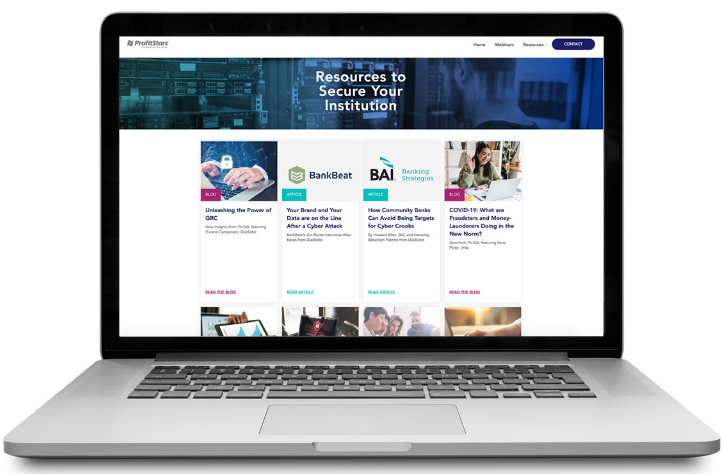
Above from top: Attendees visiting the Symitar booth at the 2019 SEC & TechConnect; Stacey Zengel presents at the 2019 JAC

Providing for Our Clients

Furthering our commitment to provide our clients with service offerings to strengthen their peace of mind, avoid risk, and focus on core competencies, our ProfitStars® division's comprehensive effort to support our clients during National Cybersecurity Month in October proved to be a tremendous win. We revamped and updated our Cybersecurity Resource Center providing valuable information to bank and credit union clients in order to help them keep their businesses and account holders secure. This went hand-in-hand with an on-going webinar series designed to educate viewers on different types of cyber threats, attack trends, resources, and conducting risk assessments, all while solidifying Jack Henry as their trusted partner.

The Resource Center is regularly updated and has proven to be a valuable asset for our clients with more than 8,000 page views by more than 2,000 unique visitors in fiscal year 2020. It further underscores our commitment to their comfort, confidence, and success.

Moving beyond cybersecurity education and awareness, our partnership with thought-leading consultants resulted in a unique discussion series about current events and the challenges and opportunities we each face. *Conversation Series* episodes were hosted by highly respected subject matter experts from Jack Henry and our consulting partners, and included guests from the financial services industry. The participants discussed everything from technology trends that enhance borrower experience, to openness and how it affects future readiness, to bank and credit union spending, as well as topical priorities in these uncertain times of the current pandemic. More than 1,600 individuals registered for the events which validates and fuels our intentions to be recognized as better serving our market space through trusted guidance.



Above: ProfitStars Cybersecurity Resource Center website

Making Thoughtful Moves

In the second quarter of fiscal year 2020, shifts were made within our leadership to strengthen Jack Henry's business organization. Executive Vice President and Chief Technology Officer (CTO), Mark Forbis, retired on November 15, 2019. Upon the departure of Forbis, Ted Bilke, Vice President of Jack Henry & Associates and President of Symitar, was appointed to the role of CTO. Bilke joined the organization as the Symitar Director of Operations in 2005 and subsequently served as General Manager of Episys® Operations and Development before being named President of Symitar and then Vice President of Jack Henry & Associates.

After carefully considering several exceptional internal and external candidates, Shanon McLachlan, Senior Managing Director with the Jack Henry ProfitStars division was selected to become our new President of Symitar. McLachlan has significant experience in the financial services industry, a drive for success, and passion for innovation making him well poised to serve the company and credit union clients.

The Jack Henry organization continued to strengthen its operating model by naming a Chief Operating Officer. Greg Adelson, formerly Vice President of Jack Henry & Associates and General Manager of JHA Payment Solutions™, was elevated to the position on November 15, 2019. Adelson brings a wealth of experience to this role having served more than two decades in the electronic payments industry. In this new role, he is responsible for all business operations and infrastructure within our organization. Adelson's vision includes working on a number of initiatives that are guided by four key tenets to improve enterprise execution. Adelson's leadership is delivering new levels of transparency, consistency, collaboration, and communication throughout the company.

KEEP MOVING FORWARD: PUTTING PEOPLE FIRST

The people we put first are our associates. Co-founder, Jerry Hall, once said, "People are the most important thing, always. We're made up of people, not numbers." And while this thought has always been valued at Jack Henry, it couldn't be truer – or more important – this year.

> "People are the most important thing, always. We're made up of people, not numbers."
>
> – JERRY HALL
>
> CO-FOUNDER OF JACK HENRY & ASSOCIATES, INC.

As we moved into the second half of our fiscal year and the beginning of calendar year 2020, COVID-19 took the world's spotlight. What evolved into an unprecedented pandemic has impacted virtually every aspect of our lives. Obviously, our first priorities were taking care of our people, who in turn, seamlessly serve our clients, our industry, and the communities in which we live and work.

Supporting Our Associates in a Pandemic

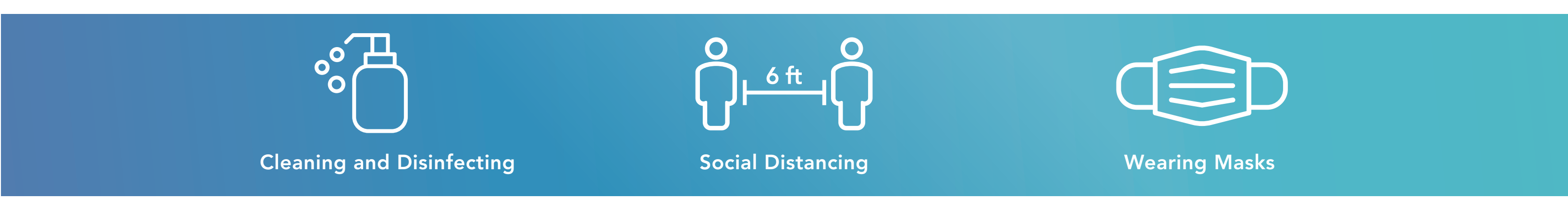
Being fundamentally focused on the health and safety of our associates meant that we had to alter the way we worked. Within four days, we successfully migrated 96% of our workforce to a remote environment in response to COVID-19-related precautions. Our internal corporate infrastructure has supported more than 20% of our workforce remotely for the past few years which set us up for a smooth transition.

For the select teams and individuals working onsite at a Jack Henry facility, cleaning procedures have increased, social distancing has been encouraged, and face masks and self-assessment health checklists have been provided to ensure we are doing what we can to keep everyone healthy.

Moreover, specific to the pandemic, we made meaningful improvements to our benefits program. For example, given an Internal Revenue Service announcement, we were able to provide our associates the opportunity to make mid-year changes to their flexible spending account elections without having a qualifying life event as is standard. Additionally, all out-of-pocket expenses – including co-pays and deductibles – associated with COVID-19 were waived for any associate or dependent covered under Jack Henry's medical plans. Behind these decisions was our intention to support and ease some of the stress our associates might have been feeling.

It was also important for Jack Henry to make sure all of our associates had the information they needed about changes, support opportunities, and how our organization was handling the pandemic in general. A comprehensive communications strategy was developed to keep everyone in-the-know and updated on a regular basis. Additionally, JHAnyWhere, our remote work Business Innovation Group, stepped up to support their colleagues adjusting to a remote environment by providing training and sharing best practices that could make the transition smoother. Jack Henry's leadership acknowledges, understands, and empathizes with our colleagues as we face today's challenges – sequestration, working from home, juggling childcare, virtual learning, and the impacts of the virus itself.

STAYING SAFE + HEALTHY

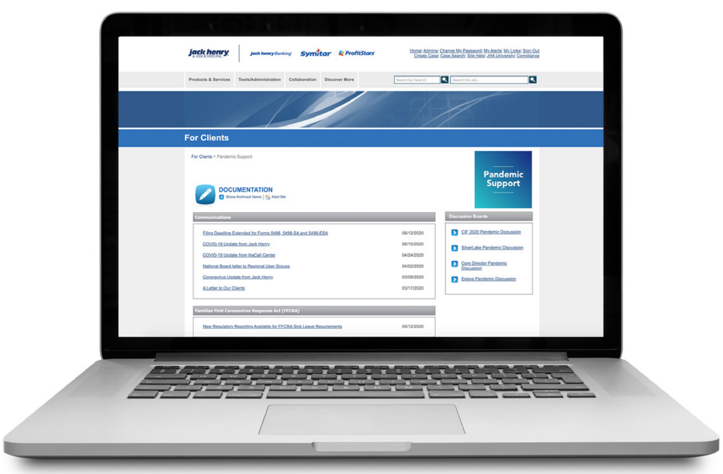


Unwavering Service for Our Clients

As a leading provider of technology solutions to the financial services industry, the U.S. Department of Homeland Security recognized Jack Henry as an "essential business." This allowed the opportunity for our associates who had roles that required them to be onsite to do so despite the various shelter-in-place orders across the country. Our data, item processing, and statement centers all continued to run smoothly, illustrating our commitment to the service we provide.

In spite of this shift to remote operations, our monthly customer satisfaction surveys continued to deliver consistency in service with the *average customer service representative rating* coming in at a 4.74 out of 5 for March through June 2020, and the *average overall rating for this customer service experience* coming in at 4.68 out of 5 for the same time period. Knowing that we can stand behind our customer service – even during a pandemic – underscores the commitment of our associates.

With that in mind, we pushed forward to better serve those who trust us. We creatively expanded how we support our clients. The news and information available related to COVID-19 was and continues to be substantial. We provided our clients with convenient, consolidated, easy-to-access information that is important and relevant. A *Pandemic Support Resource Center* was established on our *For Clients* portal homepage to store related communications, informative frequently asked questions, recorded presentations and videos, documentation of specific features available to support our clients' response, and more.



Above: *For Clients* Portal – Pandemic Support Resource Center

Innovating Solutions

Under today's stressed conditions, banks and credit unions that still operate on-premise platforms recognize the unnecessary risks they assume and therefore, cloud processing continues to thrive. The Jack Henry private and public cloud offerings ensure buyer options with our reliable, dependable, secure systems environments.

Jack Henry Lending supported **approximately 400 banks and credit unions** in facilitating **more than 70,000 loan applications** with a total of **$6.5 billion in requests** through the PPP.

On March 27, the CARES Act was signed into law as an economic stimulus package with provisions for tax, healthcare, cash payments, and other economic relief designed to help businesses and their employees. In response, our associates took an all-hands-on-deck approach. Within 48 hours, Jack Henry Lending developed a solution to enhance our lending capabilities with the specific functionality banks and credit unions needed to support the new PPP loans and the loan volumes generated by the CARES Act. These new capabilities enable banks and credit unions to capture and conditionally approve PPP loan applications based on Small Business Administration guidelines and CARES Act provisions. The new solution also provided our clients with different funding options – knowing a one-size-fits-all approach isn't ideal – and prepared them to assist their own customers and members as quickly as possible during these trying and stressful times. Jack Henry Lending supported approximately 400 banks and credit unions in facilitating more than 70,000 loan applications with a total of $6.5 billion in requests for small businesses seeking assistance through the PPP.

jack henry lending

In May, Jack Henry Lending also launched a solution to **manage PPP loan forgiveness** with as much **speed and efficiency** as possible.

In May, Jack Henry Lending also launched a solution to manage PPP loan forgiveness with as much speed and efficiency as possible. The solution automates much of the process for borrowers and lenders through robust workflows and strategic core integration points that minimize data entry and ease the workload for banks and credit unions.

Through all of this, our bank and credit union clients have had the opportunity to strengthen relationships with small businesses, while getting people the paychecks they desperately needed and helping keep businesses – and our economy – afloat.

We also positioned banks and credit unions with the technology to support the growing demand for real-time payments. JHA PayCenter™ is our proprietary faster payments hub that provides

With **JHA PayCenter**, consumers and businesses can seamlessly send and receive real-time payments through our **digital solutions**.

seamless connections to Early Warning Services' Zelle Network® and The Clearing House's RTP® network and will provide connections to all future real-time payment networks. With JHA PayCenter, consumers and businesses can seamlessly send and receive real-time payments through our digital solutions. Our faster payments hub provides all the required data feeds, leverages an operational infrastructure that would be challenging for individual financial institutions to assemble, and eliminates the need for banks and credit unions to build and maintain their own network connections. More than 185 institutions have contracted to connect to the new payment networks through Jack Henry, and we expect to eventually onboard approximately 25 financial institutions each month. We are excited about the growth opportunities with our faster payment solution. Considering that the prolonged pandemic environment has intensified the need to improve cash flow and expedite funds availability, industry experts estimate 70% of domestic demand deposit accounts will be connected to a real-time payments network by the end of 2020.

We also continued migrating the banks and credit unions using our JHA Card Processing Solutions™ to our new platform. More than 700 existing clients have been migrated and more than 100 new clients have been converted from competitive card platforms. We expect existing client migrations will be completed

More than 700 existing clients have been migrated and **more than 100 new clients** have been converted from competitive card platforms.

before fiscal year-end. The new platform, which supports debit and credit transaction processing, will help our clients optimize the performance of their card programs with contemporary functionality, a new cardholder rewards program, sophisticated data analytics tools, and state-of-the-art fraud detection and prevention solutions.

Growing a Diverse and Inclusive Workplace

In fiscal year 2019, we began laying the foundation for what would become a new Diversity and Inclusion strategy to guide our organization toward a more inclusive workplace. In fiscal year 2020, we built on that foundation and crystalized our commitment to diversity, equity, and inclusion with a True North statement – "Our founders believed that business is about people – a philosophy we still stand by today. When people are free to be their best selves, relationships thrive and everyone wins. Come as you are, and together we will do great things."

This year we expanded our Business Innovation Groups (BIGs) from one – Women at Jack Henry – to five. The BIGs exist to drive innovation and support strategic business objectives by providing a space where associates can come together around shared characteristics, passions, or interests. Through active participation in BIGs, associates also benefit from personal and professional development and networking opportunities. BIGs help bolster an innovative spirit within our organization and provide a platform for people, ideas, and thoughts to flourish.

In February, we held our inaugural BIGs Summit in Dallas, Texas. More than 50 associates serving as BIGs leaders and executive sponsors gathered to define the strategic focus for each group to support key business objectives, and cultivate a more diverse and inclusive culture at Jack Henry. BIGs leaders also engaged in a cultural intelligence workshop to equip them to be more effective leaders within these associate-led groups.

"Our founders believed that **business is about people** – a philosophy we still stand by today. When people are free to be their best selves, relationships thrive and everyone wins. **Come as you are, and together we will do great things.**"

Mosaic of People

celebrates the diverse makeup of Jack Henry associates and provides education on diversity and inclusion, training, and mentorships.

Women at Jack Henry

exists to increase the number of women at all levels of leadership at Jack Henry and empower women to reach their fullest potential.

JHAnyWhere

provides a platform for personal and professional development for all members – who are primarily remote associates – and facilitates collaboration and social opportunities where possible.

Veterans at Jack Henry

has a vision to foster the relationship between veteran and civilian associates at Jack Henry.

PRISM

is comprised of members in the LGBTQIA+ community and aims to build a culture of diversity and inclusion across Jack Henry.

Furthering Our Commitment to Diversity and Inclusion

Jack Henry's investment in diversity, equity, and inclusion efforts represents a portion of a larger journey. As we look toward the future, we believe corporate responsibility is critical to our commitment to do the right thing. In fiscal year 2020, we reviewed our policies and practices related to our sustainable business efforts – or environmental, social, and governance (ESG) factors. As part of this effort, we are committed to both doing the right thing and increasing shareholder value by focusing on this initiative to report the sustainable business practices we have been executing for years – practices that have been integral to the company's successful history and now its future. We formalized our support for human rights by publishing a policy statement detailing our approach which went into effect July 2020, and we began preliminary steps to produce our first public sustainability report in fiscal year 2021. This report aims to provide increased transparency into how we do business with integrity. We're early in our journey and are invested in making the world a more equitable place through responsible business practices.

> **Jack Henry** was founded with the guiding principles to **"do the right thing, do whatever it takes, and have fun."** These remain today as the foundation of our company culture.

Jack Henry communicated a clear commitment to supporting racial justice and equity with a message from President and CEO David Foss to our associates. Our work to create a diverse and inclusive workplace was already underway, but the movement within our country highlights the importance of, and need for, this continued effort. Our Mosaic of People (People of Color) and PRISM (LGBTQIA+) BIGs supported our commitment to racial justice and equity by hosting panel discussions, sponsoring educational events, and engaging in challenging and productive conversations. Additionally, Mosaic put together a thoughtful video shared with all associates acknowledging the many feelings people have during this trying time and inviting them into the larger discussion.

> Scan the QR code to the right to watch the Mosaic video.

Experiencing issues with the QR code above? Visit:
https://www.facebook.com/JackHenryAssociates/videos/301720240996585/?vh=e&extid=9aloM7w1sKRGQ3Hs&d=n

COMMITTED TO CONSISTENCY AND INNOVATION

Fiscal year 2020 was an exciting, volatile, and challenging period in the history of our company and our country. It was one that required the ability to adapt and persevere – and Jack Henry delivered, thanks to our disciplined approach to business and innovative spirit. We have stayed true to who we are and remain united to do the right thing and do whatever it takes, regardless of the circumstances. We are committed to keep moving forward with our associates, clients, and shareholders, no matter the storm.

FINANCIALS

BUSINESS

Jack Henry & Associates, Inc. ("JHA") 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 8,700 financial institutions and diverse corporate entities.

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

- **Jack Henry Banking** is a leading provider of integrated data processing systems to approximately 1,000 banks ranging from community banks 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." Our banking solutions support both in-house and outsourced 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 nearly 840 credit union customers. Symitar markets two functionally distinct core processing platforms and more than 100 integrated complementary solutions that support both in-house and outsourced operating environments.
- **ProfitStars** is a leading provider of highly specialized core agnostic products and services to financial institutions that are primarily not core customers of the Company. 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 8,600 customers, including over 6,800 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 in-house customers that are typically on a one-year contract, outsourcing services for our hosted customers that are typically on a five-year or greater contract, and recurring electronic payment solutions that are also generally on a contract term of five years or greater. Less predictable software license fees, paid by customers implementing our software solutions in-house, 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.

JHA's progress and performance have been guided by the focused work ethic and fundamental ideals fostered by the Company's founders 44 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 JHA's past, present, and future success. Recruiting and retaining high-quality employees is essential to our ongoing growth and financial performance, and we have established a corporate culture that sustains high levels of employee satisfaction.

COVID-19 Impact and Response

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

The health, safety, and well-being of our employees and customers is of paramount importance to us. In March 2020, we established an internal task force composed of executive officers and other members of management to frequently assess updates to the COVID-19 situation and recommend Company actions. We offered remote working as a recommended option to employees whose job duties allow them to work off-site. This recommended remote working option is currently extended until at least January 4, 2021, and our internal task force will continue to evaluate recommending further extensions. Based on guidance from the U.S. Department of Homeland Security's Cybersecurity and Infrastructure Security Agency, the Company was designated as essential critical infrastructure because of our support of the financial services industry. As of August 13, 2020, the majority of our employees were working remotely. Our internal task force considers federal, state and local guidance, as well as employee-specific and facility-specific factors, when recommending Company actions. At such time that our internal task force recommends that our remote employees begin to return to our facilities, we have prepared procedures to assist with a safe, gradual and deliberate approach, including a return-to-office training, enhanced sanitation procedures and face mask requirements, which are currently being utilized by our employees who are required to be on site to perform their required job functions.

We have suspended all non-essential business travel until at least January 4, 2021, and our internal task force will continue to evaluate the need for further extensions. We have put additional safety precautions into place for travel that is essential. We have also updated the health benefits available to our employees by waiving out-of-pocket expenses related to testing and treatment of COVID-19. Despite the move to a principally remote workforce, we honored our 2020 summer internship program through virtual methods.

Customers

We are working closely with our customers who are scheduled for on-site visits to ensure their needs are met while taking necessary safety precautions when our employees are required to be at a customer site. Delays of customer system installations due to COVID-19 have been limited, and we have developed processes to handle remote installations when available. We expect these processes to provide flexibility and value both during and after the COVID-19 pandemic. However, we have experienced delays related to continuing customer migrations to our new card processing platform. We are on track to meet the revised schedule to complete migrations of our core customers by September 30, 2020, and non-core customers by March 31, 2021, to the new platform. We continue to work with our customers to support them during this difficult time, and, to that end, have waived certain late fees in connection with our products and services. We have also enhanced our lending service offerings to support the Paycheck Protection Program that was introduced by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was signed into law on March 27, 2020. Even though a substantial portion of our workforce has worked remotely during the outbreak and business travel has been curtailed, we have not yet experienced significant disruption to our operations. We believe our technological capabilities are well positioned to allow our employees to work remotely for the foreseeable future without materially impacting our business.

Financial impact

We saw a decrease of card processing transaction volumes late in the third quarter of fiscal 2020 and into the early portion of the fourth quarter due to COVID-19, which slowed the rate of growth of our processing revenue for those periods versus a year ago. In addition, installations have been delayed and the associated revenue pushed from the current period to future periods. These headwinds may also impact our processing and installation revenues moving into fiscal 2021. Although transaction levels have since returned to more normal levels, the recurrence of lower-than-normal card processing transaction rates is uncertain and will depend upon when requirements for business closures and other restrictions are normalized and how quickly economic recovery occurs. Despite the changes and restrictions caused by COVID-19, the overall financial and operational impact on our business has been limited and our liquidity, balance sheet, and business trends remain strong. We experienced positive operating cash flows during the fourth quarter, and we do not expect that to change in the near term. However, we are unable to accurately predict the future impact of COVID-19 due to a number of uncertainties, including further government actions, the duration, severity and recurrence of the outbreak, the speed of economic recovery and the potential impact to our customers, vendors, and employees, as well as how the potential impact might affect future customer services, processing 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 our Annual Report on Form 10-K for the year ended June 30, 2020.

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 5,131 commercial banks and savings institutions in this asset range as of December 31, 2019. Jack Henry Banking currently supports approximately 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 5,340 domestic credit unions as of December 31, 2019. Symitar currently supports nearly 840 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 8,600 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 20% from the beginning of calendar year 2014 to the end of calendar year 2019, 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 4% and totaled $17.5 trillion as of December 31, 2019. There were thirteen new bank charters issued in calendar year 2019, compared to eight in the 2018 calendar year. Comparing calendar years 2019 to 2018, the number of mergers increased 63%.

CUNA reports the number of credit unions declined 16% from the beginning of calendar year 2014 to the end of calendar year 2019. Although the number of credit unions declined at a 4% compound annual rate during this period, aggregate assets increased at a compound annual rate of 7% and totaled $1.6 trillion as of December 31, 2019.

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.

JHA's extensive product and service offering enables 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. In doing so, we encourage a work environment that is personally, professionally, and financially rewarding for our employees while we protect and increase the value of our stockholders' investment.

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 in-house and outsourced 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 five acquisitions in the last 3 years. After 44 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:

Fiscal Year	**Company or Product Name**	**Products and Services**
2020	DebtFolio, Inc. ("Geezeo")	Provider of technology solutions and next-generation financial management capabilities primarily for the financial services industry
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
2018	Ensenta Corporation ("Ensenta")	Real-time, cloud-based solutions for mobile and online payments and deposits
2018	Vanguard Software Group ("Vanguard")	Underwriting, spreading, and online decisioning of commercial loans

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 each software system. Our banking solutions can be delivered in-house or through outsourced delivery model in our private cloud and are backed by a company-wide commitment to provide exceptional personal service. Jack Henry Banking is a recognized market leader, currently supporting approximately 1,000 banks with its technology platforms.
- **Symitar** supports credit unions of all sizes with information and transaction processing platforms that provide enterprise-wide automation. Our solutions include two functionally distinct core processing systems 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 solutions also have state-of-the-art functional capabilities. We also re-market the hardware required by each software system. Our credit union solutions can be delivered in-house or through an outsourced delivery model in our private cloud, and they are also backed by our company-wide commitment to provide exceptional personal service. Symitar currently supports nearly 840 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 8,600 customers, including over 6,800 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 JHA'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 two core software systems to credit unions. These core systems are available for in-house installation at customer sites, or financial institutions can outsource ongoing information processing to JHA.

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 nearly 8% of the domestic banks with assets less than $50 billion.
- **CIF 20/20®,** a parameter-driven, easy-to-use system that now supports nearly 400 banks ranging from de novo institutions to those with assets exceeding $2 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 exceeding $1 billion.

Symitar's two core credit union platforms are:

- **Episys®,** a robust system primarily designed for credit unions with more than $50 million in assets. It has been implemented by nearly 700 credit unions 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.
- **CruiseNet®,** a cost-efficient system providing intuitive point-and-click, drag-and-drop operation designed primarily for credit unions with less than $50 million in assets. It has been implemented by approximately 140 credit unions.

Customers electing to install our solutions in-house license the proprietary software systems. The large majority of these customers pay ongoing annual software maintenance fees. We also re-market the hardware and peripheral equipment that is required by our software solutions; and we contract to perform software implementation, data conversion, training, ongoing support, and other related services. In-house 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 in-house installations and the responsibility for operating information and transaction processing infrastructures by outsourcing these functions to JHA. Our core outsourcing services are provided in our private cloud 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 five 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. JHA 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.

JHA 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. JHA'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 JHA 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 JHA'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 JHA'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 8,700 diverse clients.

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

High levels of support are provided to our outsourced customers by the same support infrastructure utilized for in-house customers. However, these support fees are included as part of monthly outsourcing fees.

JHA 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 JHA 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 Strategy

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 JHA'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 JHA'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, without the risk of loan loss.

Backlog

Backlog consists of contracted in-house products and services that have not been delivered. Backlog also includes the minimum monthly payments for the remaining portion of multi-year outsourcing contracts, and typically includes the minimum payments guaranteed for the remainder of the contract period.

Backlog as of June 30, 2020 totaled $904.3 million, consisting of contracts signed for future delivery of software, hardware, and implementation services (in-house backlog) of $68.9 million, and outsourcing services of $835.4 million. Approximately $646.0 million of the outsourcing services backlog as of June 30, 2020 is not expected to be realized during fiscal 2021 due to the long-term nature of our outsourcing contracts. Backlog as of June 30, 2019 totaled $785.2 million, consisting of $77.6 million for future delivery of in-house software, hardware, and implementation services (in-house backlog), and $707.6 million for outsourcing services.

Our outsourcing backlog continues to experience growth based on new contracting activities and renewals of multi-year contracts, and although the appropriate portion of this revenue will be recognized during fiscal 2021, the backlog is expected to trend up gradually for the foreseeable future due to renewals of existing relationships, existing in-house customers electing to migrate to the outsourced model, and new contracting activities.

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 years 2020, 2019, and 2018 were $110.0 million, $96.4 million, and $90.3 million, respectively. We recorded capitalized software in fiscal years 2020, 2019, and 2018 of $117.3 million, $111.1 million, and $96.6 million, respectively.

Sales and Marketing

JHA 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 JHA'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. JHA also hosts annual national education conferences which provide opportunities to network with existing clients and demonstrate new products and services.

JHA has sold select products and services primarily in the Caribbean and Canada. International sales accounted for less than 1% of JHA's total revenue in the fiscal years 2020, 2019, and 2018.

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 JHA'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

JHA 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. JHA's compliance program is provided by a team of compliance analysts and auditors that possess extensive regulatory agency and financial institution experience, and a thorough working knowledge of JHA 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.

JHA 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. JHA 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 JHA'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 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.

JHA 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, JHA'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.

JHA provides outsourced services through OutLink™ 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 outsourcing services provided by JHA 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 outsourcing 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. Ensuring this sensitive information remains private is a high priority, and JHA's initiatives to protect confidential information include regular third-party application reviews intended to better secure information assets. 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.

Employees

As of June 30, 2020 and 2019, JHA had 6,717 and 6,402 full-time employees, respectively. Our employees are not covered by a collective bargaining agreement and there have been no labor-related work stoppages.

Available Information

JHA's Website is easily accessible to the public at **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**.

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 August 14, 2020, there were approximately 198,654 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, 2020:

	Total Number of Shares Purchased (1)	Average Price of Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans (2)
April 1 - April 30, 2020	—	$ —	—	2,997,713
May 1 - May 31, 2020	—	$ —	—	2,997,713
June 1 - June 30, 2020	—	$ —	—	2,997,713
Total	**—**	**$ —**	**—**	**2,997,713**

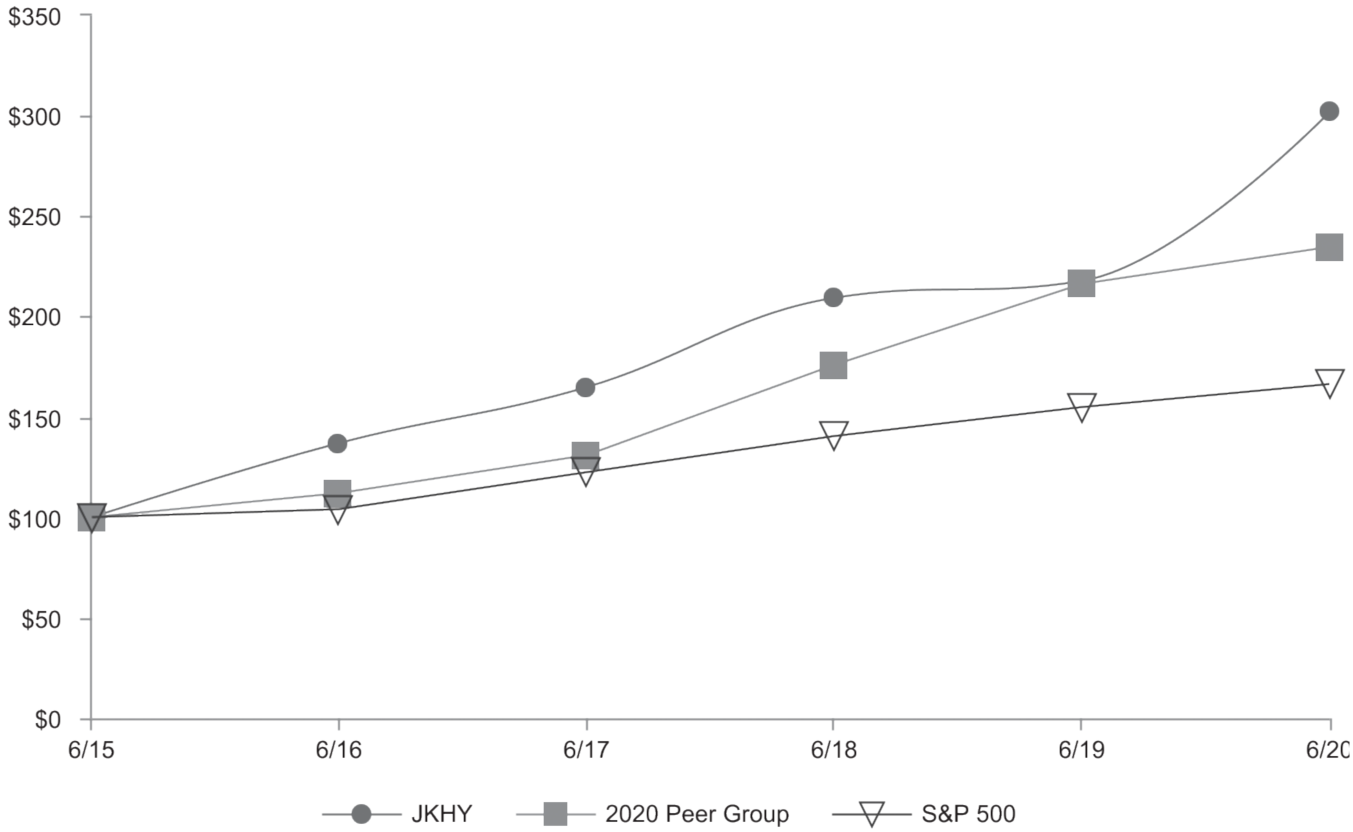
(1) No shares were purchased through a publicly announced repurchase plan. There were no shares surrendered to the Company to satisfy tax withholding obligations in connection with employee restricted stock awards.

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

Performance Graph

The following chart presents a comparison for the five-year period ended June 30, 2020, 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.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
Among Jack Henry & Associates, Inc., the S&P 500 Index, and a Peer Group



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

	2015	2016	2017	2018	2019	2020
JKHY	100.00	136.74	164.83	209.35	217.43	301.97
2020 Peer Group	100.00	112.09	130.82	175.85	216.00	234.43
S&P 500	100.00	103.99	122.60	140.23	154.83	166.45

This comparison assumes $100 was invested on June 30, 2015 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 fiscal 2020 peer group are ACI Worldwide, Inc.; Black Knight, Inc.; Bottomline Technologies (de), Inc.; Broadridge Financial Solutions, Inc.; Cardtronics plc; CoreLogic, Inc.; Euronet Worldwide, Inc.; ExlService Holdings, Inc.; Fair Isaac Corporation; 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. Total System Services, Inc. was acquired by Global Payments Inc. on September 17, 2019 and was removed from the peer group.

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.

SELECTED FINANCIAL DATA

The following data should be read in conjunction with the consolidated financial statements and accompanying notes included elsewhere in the Annual Report on Form 10-K. Fiscal 2018 and 2017 have been recast to reflect the Company's retrospective adoption of Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers,* and related amendments, collectively referred to as Accounting Standards Codification ("ASC") 606. Fiscal 2016 was not recast. Net income for fiscal 2020, 2019, and 2018 has been impacted by the reduced U.S. corporate tax rate enacted by the Tax Cuts and Jobs Act of 2017 ("TCJA"), and fiscal 2018 net income contains the related adjustment for the re-measurement of deferred taxes. Acquisitions have affected revenue and net income in fiscal 2020, 2019, and 2018.

Selected Financial Data

(In Thousands, Except Per Share Data)

	YEAR ENDED JUNE 30,				
Income Statement Data	**2020**	2019	2018	2017	2016
					*Unadjusted
Revenue [(1)]	**$ 1,697,067**	$ 1,552,691	$ 1,470,797	$ 1,388,290	$ 1,354,646
Net Income	**$ 296,668**	$ 271,885	$ 365,034	$ 229,561	$ 248,867
Basic earnings per share	**$ 3.86**	$ 3.52	$ 4.73	$ 2.95	$ 3.13
Diluted earnings per share	**$ 3.86**	$ 3.52	$ 4.70	$ 2.93	$ 3.12
Dividends declared per share	**$ 1.66**	$ 1.54	$ 1.36	$ 1.18	$ 1.06
Balance Sheet Data					
Total deferred revenue	**$ 389,622**	$ 394,306	$ 369,915	$ 368,151	$ 521,054
Total assets	**$ 2,428,474**	$ 2,184,829	$ 2,033,058	$ 1,868,199	$ 1,815,512
Long-term debt	**$ 208**	$ —	$ —	$ 50,000	$ —
Stockholders' equity	**$ 1,549,688**	$ 1,429,013	$ 1,322,844	$ 1,099,693	$ 996,210

(1) Revenue includes license sales, support and service revenues, and hardware sales, less returns and allowances.

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

The following section provides management's view of the Company's financial condition and results of operations and should be read in conjunction with the Selected Financial Data, the audited consolidated financial statements, and related notes included elsewhere in this report. All dollar and share amounts, except per share amounts, are in thousands and discussions compare fiscal 2020 to fiscal 2019. Discussions of fiscal 2018 items and comparisons between fiscal 2018 and fiscal 2019 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, 2019.

OVERVIEW

Jack Henry & Associates, Inc. is headquartered in Monett, Missouri, employs approximately 6,800 associates nationwide, and is a leading provider of technology solutions and payment processing services primarily for financial services organizations. Its solutions serve nearly 8,700 customers and are marketed and supported through three primary brands. Jack Henry Banking® is a top provider of information and transaction processing solutions to U.S. banks ranging from community banks to multi-billion-dollar asset institutions with assets up to $50 billion. Symitar® is a leading provider of information and transaction processing solutions for credit unions of all sizes. ProfitStars® provides highly specialized products and services that enable financial institutions of every asset size and charter, and diverse corporate entities outside the financial services industry, to mitigate and control risks, optimize revenue and growth opportunities, and contain costs. JHA's integrated solutions are available for in-house installation and outsourced 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 in-house 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: “outsourcing and cloud” fees that predominantly have contract terms of five years or longer at inception; “product delivery and services” revenue, which includes revenue from the sales of licenses, implementation services, deconversion fees, consulting, and hardware; and “in-house support” revenue, composed of maintenance fees which primarily contain annual contract terms. Processing revenue includes: “remittance” revenue from payment processing, remote capture, and ACH transactions; “card” fees, including card transaction processing and monthly fees; and “transaction and digital” revenue, which includes transaction and mobile processing fees. We continually seek opportunities to increase revenue while at the same time containing costs to expand margins.

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.

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

COVID-19 Impact and Response

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

The health, safety, and well-being of our employees and customers is of paramount importance to us. In March 2020, we established an internal task force composed of executive officers and other members of management to frequently assess updates to the COVID-19 situation and recommend Company actions. We offered remote working as a recommended option to employees whose job duties allow them to work off-site. This recommended remote working option is currently extended until at least January 4, 2021, and our internal task force will continue to evaluate recommending further extensions. Based on guidance from the U.S. Department of Homeland Security’s Cybersecurity and Infrastructure Security Agency, the Company was designated as essential critical infrastructure because of our support of the financial services industry. As of August 13, 2020, the majority of our employees were working remotely. Our internal task force considers federal, state and local guidance, as well as employee-specific and facility-specific factors, when recommending Company actions. At such time that our internal task force recommends that our remote employees begin to return to our facilities, we have prepared procedures to assist with a safe, gradual and deliberate approach, including a return-to-office training, enhanced sanitation procedures and face mask requirements, which are currently being utilized by our employees who are required to be on site to perform their required job functions.

We have suspended all non-essential business travel until at least January 4, 2021, and our internal task force will continue to evaluate the need for further extensions. We have put additional safety precautions into place for travel that is essential. We have also updated the health benefits available to our employees by waiving out-of-pocket expenses related to testing and treatment of COVID-19. Despite the move to a principally remote workforce, we honored our 2020 summer internship program through virtual methods.

Customers

We are working closely with our customers who are scheduled for on-site visits to ensure their needs are met while taking necessary safety precautions when our employees are required to be at a customer site. Delays of customer system installations due to COVID-19 have been limited, and we have developed processes to handle remote installations when available. We expect these processes to provide flexibility and value both during and after the COVID-19 pandemic. However, we have experienced delays related to continuing customer migrations to our new card processing platform. We are on track to meet the revised schedule to complete migrations of our core customers by September 30, 2020, and non-core customers by March 31, 2021, to the new platform. We continue to work with our customers to support them during this difficult time, and, to that end, have waived certain late fees in connection with our products and services. We have also enhanced our lending service offerings to support the Paycheck Protection Program that was introduced by the CARES Act, which was signed into law on March 27, 2020. Even though a substantial portion of our workforce has worked remotely during the outbreak and business travel has been curtailed, we have not yet experienced significant disruption to our operations. We believe our technological capabilities are well positioned to allow our employees to work remotely for the foreseeable future without materially impacting our business.

Financial impact

We saw a decrease of card processing transaction volumes late in the third quarter of fiscal 2020 and into the early portion of the fourth quarter due to COVID-19, which slowed the rate of growth of our processing revenue for those periods versus a year ago. In addition, installations have been delayed and the associated revenue pushed from the current period to future periods. These headwinds may also impact our processing and installation revenues moving into fiscal 2021. Although transaction levels have since returned to more normal levels, the recurrence of lower-than-normal card processing transaction rates is uncertain and will depend upon when requirements for business closures and other restrictions are normalized and how quickly economic recovery occurs. Despite the changes and restrictions caused by COVID-19, the overall financial and operational impact on our business has been limited and our liquidity, balance sheet, and business trends remain strong. We experienced positive operating cash flows during the fourth quarter, and we do not expect that to change in the near term. However, we are unable to accurately predict the future impact of COVID-19 due to a number of uncertainties, including further government actions, the duration, severity and recurrence of the outbreak, the speed of economic recovery and the potential impact to our customers, vendors, and employees, as well as how the potential impact might affect future customer services, processing 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 2020 COMPARED TO FISCAL 2019

In fiscal 2020, revenues increased 9% or $144,376 compared to fiscal 2019. Deconversion fees increased $23,684 to $53,914, compared to the prior fiscal year. Revenue from fiscal 2020 acquisitions totaled $8,969. Excluding these factors, adjusted revenue increased 7%, with growth in each of our revenue streams as discussed in detail below.

Operating expenses increased 9% year over year, primarily due to costs related to our new card payment processing platform, increased salaries and benefits in fiscal 2020, partly due to increased headcount compared to fiscal 2019, increases in related revenue, and increased depreciation and amortization expense.

We move into fiscal 2021 following strong performance in fiscal 2020. 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, 2020 follows.

REVENUE

Services and Support Revenue	Year Ended June 30,		% Change
	2020	2019	
Services and Support	**$ 1,051,451**	$ 958,489	**10%**
Percentage of total revenue	**62%**	62%	

Services and support includes: “outsourcing and cloud” fees that predominantly have contract terms of five 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 “in-house support” revenue, which is composed of maintenance fees which primarily contain annual contract terms.

In the fiscal year ended June 30, 2020, services and support revenue grew 10% over the prior fiscal year. Excluding deconversion fees from each period, which totaled $53,914 in fiscal 2020 and $30,230 in fiscal 2019 and excluding revenue from the fiscal 2020 acquisition totaling $8,969, adjusted services and support revenue grew 6%. The adjusted increase was primarily driven by an increase in outsourcing and cloud revenue resulting from organic growth in data processing and hosting fee revenue, as well as higher implementation fee revenue primarily related to our private cloud offerings. Higher software usage revenue within in-house support also contributed to the increase, resulting partially from the addition of new customers. These increases were partially offset by decreased maintenance fees within in-house support revenue and on-premise implementation fees within product delivery and services revenue due to more customers opting for outsourced delivery.

Processing Revenue

	Year Ended June 30,		% Change
	2020	2019	
Processing	**$ 645,616**	$ 594,202	**9%**
Percentage of total revenue	**38%**	38%	

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

Processing revenue increased 9% for the fiscal year ended June 30, 2020 compared to the fiscal year ended June 30, 2019, with strong organic growth in each component.

OPERATING EXPENSES

Cost of Revenue

	Year Ended June 30,		% Change
	2020	2019	
Cost of Revenue	**$ 1,008,464**	$ 923,030	**9%**
Percentage of total revenue	**59%**	59%	

Cost of revenue for fiscal 2020 increased 9% compared to fiscal 2019. Excluding costs related to deconversion fees from each period, which totaled $4,055 in fiscal 2020 and $2,192 in fiscal 2019, and excluding costs related to the fiscal 2020 acquisition totaling $4,054, adjusted cost of revenue also increased 9%. The adjusted increase was driven by higher direct costs of product, including spending related to the ongoing project to expand our credit and debit card platform, and increases in related revenue; higher salary and benefit expenses, in part due to a 5% increase in headcount at June 30, 2020 compared to a year ago that reflects organic growth within our product lines; and increased depreciation and amortization expense mainly related to capitalized software. Partially offsetting adjusted cost of revenue increases were the savings realized from non-essential travel restrictions imposed at the Company due to the COVID-19 pandemic (see "COVID-19 Impact and Response" on page 23). Cost of revenue remained consistent as a percentage of total revenue for fiscal 2020 and fiscal 2019. The Company continues to focus on management of costs which contributes to the consistency of this percentage.

Research and Development

	Year Ended June 30,		% Change
	2020	2019	
Research and Development	**$ 109,988**	$ 96,378	**14%**
Percentage of total revenue	**6%**	6%	

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

Research and development expenses for fiscal 2020 increased 14% compared to fiscal 2019. Excluding costs related to the fiscal 2020 acquisition totaling $1,980, adjusted research and development expense increased 12%. The adjusted increase was primarily due to increased salary and benefit expenses, in part due to a 4% increase in headcount at June 30, 2020 compared to a year ago that reflects organic growth within our product lines, as well as an increase in licenses and fees. A portion of the adjusted research and development expense is a result of our investment in digital platforms. Research and development expense remained consistent as a percentage of total revenue for fiscal 2020 and fiscal 2019. The Company continues to focus on management of costs which contributes to the consistency of this percentage.

Selling, General, and Administrative

	Year Ended June 30,		% Change
	2020	2019	
Selling, General, and Administrative	**$ 197,988**	$ 185,998	**6%**
Percentage of total revenue	**12%**	12%	

Selling, general and administrative costs included all expenses related to sales efforts, commissions, finance, legal, and human resources, plus all administrative costs. Excluding costs related to deconversion fees from fiscal 2020 (there were no deconversion fees related to selling, general, and administrative for fiscal 2019), which totaled $973, the fiscal 2020 acquisition of $2,063, and the fiscal 2020 loss on disposal of certain assets, net, of $4,789, adjusted selling, general, and administrative expense increased 2% compared to fiscal 2019. The adjusted increase was primarily due to increased salaries and benefit expenses, in part due to a 5% increase in headcount at June 30, 2020 compared to a year ago. Partially offsetting adjusted selling, general, and administrative expense increases were the savings realized from non-essential travel restrictions imposed at the Company due to the COVID-19 pandemic (see “COVID-19 Impact and Response” on page 23). Selling, general, and administrative expense remained consistent as a percentage of total revenue for fiscal 2020 and fiscal 2019. The Company continues to focus on management of costs which contributes to the consistency of this percentage.

INTEREST INCOME AND EXPENSE	Year Ended June 30,		% Change
	2020	2019	
Interest Income	**$ 1,137**	$ 876	**30%**
Interest Expense	**$ (688)**	$ (926)	**(26)%**

Interest income fluctuated due to changes in invested balances and yields on invested balances. Interest expense decreased in fiscal 2020 due mainly to lower interest rates during the year and the timing of invested balances.

PROVISION/ (BENEFIT) FOR INCOME TAXES	Year Ended June 30,		% Change
	2020	2019	
Provision/ (Benefit) for Income Taxes	**$ 84,408**	$ 75,350	**12%**
Effective Rate	**22.1%**	**21.7%**	

The increase to the Company’s effective tax rate in fiscal 2020 compared to fiscal 2019 was primarily due to the difference in the tax benefits recognized from stock-based compensation between the two periods.

NET INCOME

Net income increased 9% to $296,668, or $3.86 per diluted share, in fiscal 2020 from $271,885, or $3.52 per diluted share, in fiscal 2019 primarily due to increased deconversion fee revenue, organic growth in our lines of revenue, year over year, and inorganic contributions from our fiscal 2020 acquisition.

REPORTABLE SEGMENT DISCUSSION

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

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

During fiscal 2020, immaterial adjustments were made to reclassify revenue recognized in fiscal 2019 from the Complementary to the Core segment and from the Complementary to the Payments segment to be consistent with the current year’s allocation of revenue by segment. For the fiscal year ended June 30, 2019, the amount reclassified totaled $2,614.

Core

	2020	% Change	2019
Revenue	**$ 582,166**	9%	$ 536,032
Cost of Revenue	**$ 252,878**	4%	$ 243,989

In fiscal 2020, revenue in the Core segment increased 9% compared to fiscal 2019. Excluding deconversion fees from both years, which totaled $25,927 in fiscal 2020 and $14,907 in fiscal 2019, adjusted revenue in the Core segment increased 7%. The adjusted increase was primarily due to increased outsourcing and cloud revenue. Cost of revenue in the Core segment increased 4% for fiscal 2020 compared to fiscal 2019 primarily due to increased salaries and benefits partially due to increased headcount at June 30, 2020 compared to a year ago. Cost of revenue decreased 2% as a percentage of revenue for fiscal 2020 compared to fiscal 2019.

Payments

	2020	% Change	2019
Revenue	**$ 597,693**	9%	$ 549,330
Cost of Revenue	**$ 319,739**	17%	$ 273,261

In fiscal 2020, revenue in the Payments segment increased 9% compared to fiscal 2019. Excluding deconversion fees from both years of $15,411 in fiscal 2020 and $8,603 in fiscal 2019, adjusted revenue in the Payments segment increased 8%. The adjusted increase was primarily due to organic growth within the card processing and remittance revenue lines. Cost of revenue in the Payments segment increased 17% for fiscal 2020 compared to fiscal 2019 primarily due to increased spending related to the ongoing project to expand our credit and debit card platform. Cost of revenue increased 4% as a percentage of revenue for fiscal 2020 compared to fiscal 2019.

Complementary

	2020	% Change	2019
Revenue	**$ 463,349**	11%	$ 415,601
Cost of Revenue	**$ 191,577**	9%	$ 175,737

Revenue in the Complementary segment increased 11% for fiscal 2020 compared to fiscal 2019. Excluding deconversion fees from both years, which totaled $12,145 in fiscal 2020 and $6,672 in fiscal 2019, and excluding revenue of $8,969 from fiscal 2020 acquisitions, adjusted revenue in the Complementary segment increased 8%. The adjusted increase was driven by increases in outsourcing and cloud and in-house support revenue within our services and support revenue line, as well as transaction and digital processing revenue within our processing revenue line. Cost of revenue in the Complementary segment increased 9% for fiscal 2020 compared to fiscal 2019, primarily due to increased amortization expense mainly related to capitalized software and higher direct costs largely related to the growth in outsourcing and cloud. Cost of revenue decreased 1% as a percentage of revenue for fiscal 2020 compared to fiscal 2019.

Corporate and Other

	2020	% Change	2019
Revenue	**$ 53,859**	4%	$ 51,728
Cost of Revenue	**$ 244,270**	6%	$ 230,043

The increase in revenue in the Corporate and Other segment for fiscal 2020 compared to fiscal 2019 was mainly due to increased hardware revenue within our services and support revenue line.

Cost of revenue for the Corporate and Other segment includes operating costs not directly attributable to any of the other three segments. The increased cost of revenue in fiscal 2020 compared to fiscal 2019 was primarily related to increased salaries and benefits, partially due to increased headcount at June 30, 2020 compared to a year ago, and increased depreciation expense.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents increased to $213,345 at June 30, 2020 from $93,628 at June 30, 2019. Cash at the end of fiscal 2020 was higher primarily due to an increase in net cash from operating activities, partially offset by an increase in the purchase of treasury stock and an increase in dividends paid.

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

	Year Ended June 30,	
	2020	2019
Net income	**$ 296,668**	$ 271,885
Non-cash expenses	**218,004**	180,987
Change in receivables	**10,540**	(11,777)
Change in deferred revenue	**(4,871)**	23,656
Change in other assets and liabilities	**(9,809)**	(33,623)
Net cash provided by operating activities	**$ 510,532**	$ 431,128

Cash provided by operating activities for fiscal 2020 increased 18% compared to fiscal 2019. 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 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 purchase of Geezeo; $6,710 for the purchase and development of internal use software; and $1,150 for purchase of investments. This was partially offset by $11,130 of proceeds from asset sales.

Cash used in investing activities for fiscal 2019 totaled $190,635 and included: $111,114 for the ongoing enhancements and development of existing and new product and service offerings; capital expenditures on facilities and equipment of $53,598, mainly for the purchase of computer equipment; $19,981, net of cash acquired, for the purchases of BOLTS and Agiletics; $6,049 for the purchase and development of internal use software; and $20 for customer contracts. These expenditures were partially offset by $127 of proceeds from the sale of assets.

Financing activities used cash of $192,909 for fiscal 2020. Cash used was $127,421 for dividends paid to stockholders; $71,549 for the purchase of treasury shares; and $6,094 of net cash inflow from the issuance of stock and tax related to stock-based compensation. Borrowings and repayments on our revolving credit facility netted to a repayment of $33.

Financing activities used cash in fiscal 2019 of $178,305. Cash used was $118,745 for dividends paid to stockholders; $54,864 for the purchase of treasury shares; and $4,696 of net cash outflow from the issuance of stock and tax related to stock-based compensation. Borrowings and repayments on our revolving credit facility netted to zero.

Capital Requirements and Resources

The Company generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures totaling $53,538 and $53,598 for fiscal years ended June 30, 2020 and June 30, 2019, 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, 2020, the Company had no 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 2021 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.

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, 2020, there were 26,993 shares in treasury stock and the Company had the remaining authority to repurchase up to 2,998 additional shares. The total cost of treasury shares at June 30, 2020 is $1,181,673. During fiscal 2020, the Company repurchased 485 treasury shares for $71,549. At June 30, 2019, there were 26,508 shares in treasury stock and the Company had authority to repurchase up to 3,483 additional shares.

Revolving credit facility

On February 10, 2020, the Company entered into a new five-year senior, unsecured revolving credit facility. The new 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 new 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 new 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, 2020, the Company was in compliance with all such covenants. The new revolving credit facility terminates February 10, 2025. There was no outstanding balance under the new credit facility at June 30, 2020.

The Company also terminated its prior unsecured credit agreement on February 10, 2020. There was no outstanding balance under the terminated credit facility at June 30, 2019.

Other lines of credit

The Company has an unsecured bank credit line which provides for funding of up to $5,000 and bears interest at the prime rate less 1%. The credit line was renewed in May 2019 and expires on April 30, 2021. There was no balance outstanding at June 30, 2020 or June 30, 2019.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

At June 30, 2020, the Company's total operating lease obligations were $75,549, consisting of long-term operating leases for various facilities and equipment which expire from 2020 to 2033 (see Note 3 to the consolidated financial statements for further information on the Company's leases).

At June 30, 2020, the Company's total contractual obligations were $1,227,089 and included the above-described operating lease obligations and $1,151,540 related to off-balance sheet purchase obligations. Included in off-balance sheet purchase obligations were open purchase orders of $82,303 and a strategic services agreement entered into by JHA 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, 2020 of $1,068,961 over the remaining term of the contract, which currently extends until January 2036, subject to certain renewal terms. The contractual obligations table below excludes $11,677 of liabilities for uncertain tax positions as we are unable to reasonably estimate the ultimate amount or timing of settlement.

Contractual obligations by period as of June 30, 2020	Less than 1 year	1-3 years	3-5 years	More than 5 years	TOTAL
Operating lease obligations	$ 13,444	$ 23,237	$ 14,499	$ 24,369	$ 75,549
Purchase obligations	123,545	99,919	118,845	809,231	1,151,540
Total	$ 136,989	$ 123,156	$ 133,344	$ 833,600	$ 1,227,089

RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Guidance

In August of 2018, the Financial Accounting Standards Board ("FASB") issued ASU No. 2018-15, Intangibles, Goodwill and Other - Internal-Use Software (Subtopic 350-40), which broadens the scope of Subtopic 350-40 to include costs incurred to implement a hosting arrangement that is a service contract. The costs are capitalized or expensed depending on the nature of the costs and the project stage during which they are incurred, consistent with costs for internal-use software. The amendments in this update can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The required ASU effective date for the Company is July 1, 2020, with early adoption permitted. The Company early-adopted ASU No. 2018-15 for its fiscal 2020 third quarter. The Company chose prospective adoption and there was no material impact on its consolidated financial statements for the quarter or year-to-date period.

The FASB issued ASU No. 2016-02, Leases, in February 2016. This ASU aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and requiring disclosure of key information regarding leasing arrangements to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Specifically, the standard requires operating lease commitments to be recorded on the balance sheet as operating lease liabilities and right-of-use assets, and the cost of those operating leases to be amortized on a straight-line basis.

The Company adopted the new standard effective July 1, 2019 using the optional transition method in ASU 2018-11. Under this method, the Company did not adjust its comparative period financial statements for the effects of the new standard or make the new, expanded required disclosures for periods prior to the effective date. The Company elected the package of practical expedients permitted under the new standard, which among other things, allows it to carry forward its historical lease classifications. In addition, the Company has made a policy election to keep leases with an initial term of twelve months or less off of the balance sheet. The Company also elected the practical expedient to not separate the non-lease components of a contract from the lease component to which they relate.

The adoption of the standard resulted in the recognition of lease liabilities of $77,393 and right-to-use assets of $74,084 as of July 1, 2019. Adoption of the standard did not have a material impact on the Company's condensed consolidated statements of income or condensed consolidated statements of cash flows.

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 will be effective for the Company on July 1, 2021. Early adoption of the amendments is permitted, including adoption in any interim period for public business entities for periods for which financial statements have not yet been issued. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. The Company will adopt ASU No. 2019-12 when required, or sooner as allowed, and is assessing the timing of adoption and evaluating the impact on its consolidated financial statements.

In January 2017, the FASB issued 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. ASU No. 2017-04 will be effective prospectively for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. The Company adopted ASU No. 2017-04 on July 1, 2020 and does not expect the adoption to 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): Measurement of Credit Losses on Financial Instruments, which requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, with an allowance for credit losses valuation account that is deducted to present the net carrying value at the amount expected to be collected. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company is currently in the process of evaluating the impacts of adopting this standard, including the processes, systems, data and controls that will be necessary to estimate credit reserves for impacted areas. Financial assets held by the Company subject to the "expected credit loss" model prescribed by the standard include trade and other receivables and contract assets. While the Company continues to evaluate the expected impact on its consolidated financial statements and related disclosures, it currently expects the adoption of this guidance will result in an acceleration in the timing for recognition of credit losses, and may also result in an increase in the reserve for these credit losses due to the requirement to record upfront the losses that are expected over the remaining contractual lives of its financial assets. The Company adopted ASU No. 2016-13 on July 1, 2020 and does not expect the adoption to have a material impact on its consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

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 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. 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.

Taxes collected from customers and remitted to governmental authorities are not included in revenue. We include 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.

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.

The following describes the nature of our 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. Our arrangements for these services typically require us 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. We evaluate tiered pricing to determine if a material right exists.

If, after that evaluation, we determine a material right does exist, we assign value to the material right based upon standalone selling price after estimation of breakage associated with the material right.

Outsourcing and Cloud

Outsourcing and cloud revenue is generated from data and item processing services and hosting fees. Our arrangements for these services typically require us 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. We evaluate tiered pricing to determine if a material right exists. If, after that evaluation, we determine a material right does exist, we assign 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, we recognize these fees over the remaining modified contract term.

In-House Support

In-house support revenue is generated from software maintenance for ongoing client support and software usage, which includes a license and ongoing client support. Our arrangements for these services typically require us 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, we utilize the practical expedient which allows entities to disregard the effects of a financing component when the contract period is one year or less.

Contract Costs

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

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

Depreciation and Amortization Expense

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

Capitalization of software development costs

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

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

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

Estimates used to determine current and deferred income taxes

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

Assumptions related to purchase accounting and goodwill

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

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

We have no outstanding debt with variable interest rates as of June 30, 2020 and are therefore not currently exposed to interest rate risk.

FINANCI AL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

Report of Independent Registered Public Accounting Firm	***38***
Management's Annual Report on Internal Control over Financial Reporting	***40***
Financial Statements	
Consolidated Statements of Income, Years Ended June 30, 2020, 2019, and 2018	***41***
Consolidated Balance Sheets, June 30, 2020 and 2019	***42***
Consolidated Statements of Changes in Stockholders' Equity, Years Ended June 30, 2020, 2019, and 2018	***43***
Consolidated Statements of Cash Flows, Years Ended June 30, 2020, 2019, and 2018	***44***
Notes to Consolidated Financial Statements	***45***

Financial Statement Schedules

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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, 2020 and 2019, 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, 2020, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2020 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, 2020, 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 $1.697 billion for the year ended June 30, 2020. 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 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, 2020

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 Rule 13a-15(f). The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s consolidated financial statements for external reporting purposes in accordance with 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, 2020, 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, 2020 was effective.

The Company’s internal control over financial reporting as of June 30, 2020 has been audited by the Company’s independent registered public accounting firm, as stated in their report appearing above.

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

	Year Ended June 30,		
	2020	2019	2018
REVENUE	**$ 1,697,067**	$ 1,552,691	$ 1,470,797
EXPENSES			
Cost of Revenue	**1,008,464**	923,030	853,138
Research and Development	**109,988**	96,378	90,340
Selling, General, and Administrative	**197,988**	185,998	171,710
Gain on Disposal of Businesses	**—**	—	(1,894)
Total Expenses	**1,316,440**	1,205,406	1,113 ,294
OPERATING INCOME	**380,627**	347,285	357,503
INTEREST INCOME (EXPENSE)			
Interest Income	**1,137**	876	575
Interest Expense	**(688)**	(926)	(1,920)
Total Interest Income (Expense)	**449**	(50)	(1,345)
INCOME BEFORE INCOME TAXES	**381,076**	347,235	356,158
PROVISION/ (BENEFIT) FOR INCOME TAXES	**84,408**	75,350	(8,876)
NET INCOME	**$ 296,668**	$ 271,885	$ 365,034
Basic earnings per share	**$ 3.86**	$ 3.52	$ 4.73
Basic weighted average shares outstanding	**76,787**	77,160	77,252
Diluted earnings per share	**$ 3.86**	$ 3.52	$ 4.70
Diluted weighted average shares outstanding	**76,934**	77,347	77,585

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, 2020	June 30, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 213,345**	$ 93,628
Receivables, net	**300,945**	310,080
Income tax receivable	**21,051**	17,817
Prepaid expenses and other	**95,525**	106,466
Deferred costs	**38,235**	35,102
Assets held for sale	**—**	6,355
Total current assets	**669,101**	569,448
PROPERTY AND EQUIPMENT, net	**273,432**	272,474
OTHER ASSETS:		
Non-current deferred costs	**113,525**	90,084
Computer software, net of amortization	**340,466**	318,969
Other non-current assets	**220,591**	134,743
Customer relationships, net of amortization	**95,108**	100,653
Other intangible assets, net of amortization	**29,917**	31,514
Goodwill	**686,334**	666,944
Total other assets	**1,485,941**	1,342,907
Total assets	**$ 2,428,474**	$ 2,184,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 9,880**	$ 9,850
Accrued expenses	**166,689**	120,360
Notes payable and current maturities of long-term debt	**115**	—
Deferred revenues	**318,161**	339,752
Total current liabilities	**494,845**	469,962
LONG-TERM LIABILITIES:		
Non-current deferred revenues	**71,461**	54,554
Deferred income tax liability	**243,998**	217,010
Debt, net of current maturities	**208**	—
Other long-term liabilities	**68,274**	14,290
Total long-term liabilities	**383,941**	285,854
Total liabilities	**878,786**	755,816
STOCKHOLDERS' EQUITY		
Preferred stock - $1 par value; 500,000 shares authorized, none issued	**—**	—
Common stock - $0.01 par value; 250,000,000 shares authorized; 103,622,563 shares issued at June 30, 2020; 103,496,026 shares issued at June 30, 2019	**1,036**	1,035
Additional paid-in capital	**495,005**	472,029
Retained earnings	**2,235,320**	2,066,073
Less treasury stock at cost 26,992,903 shares at June 30, 2020; 26,507,903 shares at June 30, 2019	**(1,181,673)**	(1,110,124)
Total stockholders' equity	**1,549,688**	1,429,013
Total liabilities and equity	**$ 2,428,474**	$ 2,184,829

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,		
	2020	2019	2018
PREFERRED SHARES:	**—**	—	—
COMMON SHARES:			
Shares, beginning of year	**103,496,026**	103,278,562	103,083,299
Shares issued for equity-based payment arrangements	**52,336**	141,071	118,865
Shares issued for Employee Stock Purchase Plan	**74,201**	76,393	76,398
Shares, end of year	**103,622,563**	103,496,026	103,278,562
COMMON STOCK - PAR VALUE $0.01 PER SHARE:			
Balance, beginning of year	**$ 1,035**	$ 1,033	$ 1,031
Shares issued for equity-based payment arrangements	**—**	1	1
Shares issued for Employee Stock Purchase Plan	**1**	1	1
Balance, end of year	**$ 1,036**	$ 1,035	$ 1,033
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of year	**$ 472,029**	$ 464,138	$ 452,016
Shares issued for equity-based payment arrangements	**—**	235	174
Tax withholding related to share based compensation	**(3,739)**	(13,972)	(7,332)
Shares issued for Employee Stock Purchase Plan	**9,832**	9,039	7,522
Stock-based compensation expense	**16,883**	12,589	11,758
Balance, end of year	**$ 495,005**	$ 472,029	$ 464,138
RETAINED EARNINGS:			
Balance, beginning of year*	**$ 2,066,073**	$ 1,912,933	$ 1,652,920
Net income*	**296,668**	271,885	365,034
Dividends	**(127,421)**	(118,745)	(105,021)
Balance, end of year	**$ 2,235,320**	$ 2,066,073	$ 1,912,933
TREASURY STOCK:			
Balance, beginning of year	**$ (1,110,124)**	$ (1,055,260)	$ (1,006,274)
Purchase of treasury shares	**(71,549)**	(54,864)	(48,986)
Balance, end of year	**$ (1,181,673)**	$ (1,110,124)	$ (1,055,260)
TOTAL STOCKHOLDERS' EQUITY	**$ 1,549,688**	$ 1,429,013	$ 1,322,844
Dividends declared per share	**$ 1.66**	$ 1.54	$ 1.36

See notes to consolidated financial statements.

*Retained earnings as of June 30, 2018 and net income for fiscal year 2018 have been adjusted as a result of the adoption of ASC 606.

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

	Year Ended June 30,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	**$ 296,668**	$ 271,885	$ 365,034
Adjustments to reconcile net income from operations to net cash from operating activities:			
Depreciation	**52,206**	47,378	47,975
Amortization	**119,599**	113,255	104,011
Change in deferred income taxes	**24,581**	7,604	(74,884)
Expense for stock-based compensation	**16,883**	12,589	11,758
(Gain)/loss on disposal of assets and businesses	**4,735**	161	(954)
Changes in operating assets and liabilities:			
Change in receivables	**10,540**	(11,777)	21,489
Change in prepaid expenses, deferred costs and other	**(25,759)**	(62,165)	(82,663)
Change in accounts payable	**(47)**	(7,526)	6,922
Change in accrued expenses	**19,720**	31,889	7,091
Change in income taxes	**(3,723)**	4,179	5,108
Change in deferred revenues	**(4,871)**	23,656	1,255
Net cash from operating activities	**510,532**	431,128	412,142
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for acquisitions, net of cash acquired	**(30,376)**	(19,981)	(137,562)
Capital expenditures	**(53,538)**	(53,598)	(40,135)
Proceeds from the sale of businesses	**—**	—	350
Proceeds from the sale of assets	**11,130**	127	306
Customer contracts acquired	**—**	(20)	—
Purchased software	**(6,710)**	(6,049)	(13,138)
Computer software developed	**(117,262)**	(111,114)	(96,647)
Purchase of investments	**(1,150)**	—	(5,000)
Net cash from investing activities	**(197,906)**	(190,635)	(291,826)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on credit facilities	**55,000**	35,000	125,000
Repayments on credit facilities and financing leases	**(55,033)**	(35,000)	(175,000)
Purchase of treasury stock	**(71,549)**	(54,864)	(48,986)
Dividends paid	**(127,421)**	(118,745)	(105,021)
Proceeds from issuance of common stock upon exercise of stock options	**—**	237	176
Tax withholding payments related to share based compensation	**(3,739)**	(13,973)	(7,333)
Proceeds from sale of common stock	**9,833**	9,040	7,523
Net cash from financing activities	**(192,909)**	(178,305)	(203,641)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**$ 119,717**	$ 62,188	$ (83,325)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**$ 93,628**	$ 31,440	$ 114,765
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 213,345**	$ 93,628	$ 31,440

See notes to consolidated financial statements

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

DESCRIPTION OF THE COMPANY

Jack Henry & Associates, Inc. and subsidiaries is a provider of integrated computer systems and services. The Company has developed and acquired a number of banking and credit union software systems. The Company's revenues are predominately earned by marketing those systems to financial institutions nationwide together with computer equipment (hardware), by providing the conversion and implementation services for financial institutions to utilize JHA systems, and by providing other related services. JHA also provides continuing support and services to customers using on-premise or outsourced systems.

CONSOLIDATION

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

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 COVID-19 pandemic has adversely impacted global economic activity and has contributed to significant volatility in financial markets during 2020 (see "COVID-19 Impact and Response" in Business and in Management's Discussion and Analysis of Financial Condition and Results of Operations).

These changing conditions may affect the estimates and assumptions made by management. Such estimates and assumptions affect, among other things, the valuations of the Company's long-lived assets, goodwill, and definite-lived intangible assets. If conditions significantly deteriorate, changes in any assumptions used may result in future goodwill impairment charges that, if incurred, could have a material adverse impact on the Company's results of operations, total assets and total equity in the period recognized. Events and changes in circumstances arising subsequent to June 30, 2020, including those resulting from the impacts of the COVID-19 pandemic, will be reflected in management's estimates for future periods.

REVENUE RECOGNITION

The Company generates "Services and Support" revenue through software licensing and related services, outsourcing 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. The Company recognizes revenue when or as it satisfies 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 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.

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.

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.

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.

Outsourcing and Cloud

Outsourcing and 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.

In-House Support

In-house 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.

COMPUTER SOFTWARE DEVELOPMENT

The Company capitalizes new product development costs incurred for software to be sold from the point at which technological feasibility has been established through the point at which the product is ready for general availability. Software development costs that are capitalized are evaluated on a product-by-product basis annually and are assigned an estimated economic life based on the type of product, market characteristics, and maturity of the market for that particular product. These costs are amortized based on current and estimated future revenue from the product or on a straight-line basis, whichever yields greater amortization expense. All of this amortization expense is included within 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. A reasonable estimate of the realizability of customer receivables is made through the establishment of an allowance for doubtful accounts, which is estimated based on a combination of write-off history, aging analysis, and any specifically known collection issues.

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

PURCHASE OF INVESTMENT

The Company has invested $6,000 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. 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.

COMPREHENSIVE INCOME

Comprehensive income for each of the fiscal years ending June 30, 2020, 2019, and 2018 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, 2020, there were 26,993 shares in treasury stock and the Company had the remaining authority to repurchase up to 2,998 additional shares. The total cost of treasury shares at June 30, 2020 is $1,181,673. During fiscal 2020, the Company repurchased 485 treasury shares for $71,549. At June 30, 2019, there were 26,508 shares in treasury stock and the Company had authority to repurchase up to 3,483 additional shares.

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

RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Guidance

In August of 2018, the FASB issued ASU No. 2018-15, Intangibles, Goodwill and Other - Internal-Use Software (Subtopic 350-40), which broadens the scope of Subtopic 350-40 to include costs incurred to implement a hosting arrangement that is a service contract. The costs are capitalized or expensed depending on the nature of the costs and the project stage during which they are incurred, consistent with costs for internal-use software. The amendments in this update can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The required ASU effective date for the Company is July 1, 2020, with early adoption permitted. The Company early-adopted ASU No. 2018-15 for its fiscal 2020 third quarter. The Company chose prospective adoption and there was no material impact on its consolidated financial statements for the quarter or year-to-date period.

The FASB issued ASU No. 2016-02, Leases, in February 2016. This ASU aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and requiring disclosure of key information regarding leasing arrangements to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Specifically, the standard requires operating lease commitments to be recorded on the balance sheet as operating lease liabilities and right-of-use assets, and the cost of those operating leases to be amortized on a straight-line basis.

The Company adopted the new standard effective July 1, 2019 using the optional transition method in ASU 2018-11. Under this method, the Company did not adjust its comparative period financial statements for the effects of the new standard or make the new, expanded required disclosures for periods prior to the effective date. The Company elected the package of practical expedients permitted under the new standard, which among other things, allows it to carry forward its historical lease classifications. In addition, the Company has made a policy election to keep leases with an initial term of twelve months or less off of the balance sheet. The Company also elected the practical expedient to not separate the non-lease components of a contract from the lease component to which they relate.

The adoption of the standard resulted in the recognition of lease liabilities of $77,393 and right-to-use assets of $74,084 as of July 1, 2019. Adoption of the standard did not have a material impact on the Company's condensed consolidated statements of income or condensed consolidated statements of cash flows.

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 will be effective for the Company on July 1, 2021. Early adoption of the amendments is permitted, including adoption in any interim period for public business entities for periods for which financial statements have not yet been issued. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. The Company will adopt ASU No. 2019-12 when required, or sooner as allowed, and is assessing the timing of adoption and evaluating the impact on its consolidated financial statements.

In January 2017, the FASB issued 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. ASU No. 2017-04 will be effective prospectively for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. The Company adopted ASU No. 2017-04 on July 1, 2020 and does not expect the adoption to 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): Measurement of Credit Losses on Financial Instruments, which requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, with an allowance for credit losses valuation account that is deducted to present the net carrying value at the amount expected to be collected. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company is currently in the process of evaluating the impacts of adopting this standard, including the processes, systems, data and controls that will be necessary to estimate credit reserves for impacted areas. Financial assets held by the Company subject to the “expected credit loss” model prescribed by the standard include trade and other receivables and contract assets. While the Company continues to evaluate the expected impact on its consolidated financial statements and related disclosures, it currently expects the adoption of this guidance will result in an acceleration in the timing for recognition of credit losses, and may also result in an increase in the reserve for these credit losses due to the requirement to record upfront the losses that are expected over the remaining contractual lives of its financial assets. The Company adopted ASU No. 2016-13 on July 1, 2020 and does not expect the adoption to 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.

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,		
	2020	2019	2018
Outsourcing and Cloud	**$ 464,066**	$ 405,359	$ 361,922
Product Delivery and Services	**259,110**	231,982	251,743
In-House Support	**328,275**	321,148	307,074
Services and Support	**1,051,451**	958,489	920,739
Processing	**645,616**	594,202	550,058
Total Revenue	**$ 1,697,067**	$ 1,552,691	$ 1,470,797

Contract Balances

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

	June 30, 2020	June 30, 2019
Receivables, net	**$ 300,945**	$ 310,080
Contract Assets- Current	**21,609**	21,446
Contract Assets- Non-current	**54,293**	50,640
Contract Liabilities (Deferred Revenue)- Current	**318,161**	339,752
Contract Liabilities (Deferred Revenue)- Non-current	**71,461**	54,554

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, 2020, 2019, and 2018, the Company recognized revenue of $259,887, $265,946, and $269,593, 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, 2020, estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period totaled $4,204,569. The Company expects to recognize approximately 28% over the next 12 months, 19% 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 $271,010 and $231,273, at June 30, 2020 and 2019, respectively.

During the fiscal years ended June 30, 2020, 2019, and 2018, amortization of deferred contract costs totaled $117,763, $110,894, and $94,337 respectively. There were no impairment losses in relation to capitalized costs for the periods presented.

NOTE 3. 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, 2020 reflect the application of ASC 842 while the reported results for the years ended June 30, 2019 and 2018 were not adjusted and continue to be reported under the accounting guidance, ASC 840, *Leases* (“ASC 840”), in effect for the prior period.

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 commencement date based upon 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 13 years. Certain leases contain renewal options for varying periods, which are at the Company’s sole discretion. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company’s ROU assets and lease liabilities. Certain leases require the Company to pay taxes, insurance, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the lease liability to the extent they are variable in nature. 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, 2020, the Company had operating lease assets of $63,948 and net financing lease assets of $318. 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. 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 $13,719 as of June 30, 2020. Financing lease assets are included within property and equipment, net and financing lease liabilities are included with 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 $38 as of June 30, 2020.

Operating lease costs for the fiscal year ended June 30, 2020 were $16,029. Financing lease costs for the fiscal year ended June 30, 2020 were $41. Total operating and financing lease costs for the fiscal year included variable lease costs of approximately $4,017.

Operating and financing lease expense is included within cost of services, research and development, and selling, general and administrative expense, dependent upon the nature and use of the right-of-use asset, in the Company's consolidated statement of income.

Operating cash flows for payments on operating leases for the twelve months ended June 30, 2020 were $14,348 and right-of-use assets obtained in exchange for operating lease liabilities were $4,212. Financing cash flows for payments on financing leases for the twelve months ended June 30, 2020 were $33.

As of June 30, 2020, the weighted-average remaining lease term for the Company's operating leases was 88 months and the weighted-average discount rate was 2.76%. As of June 30, 2020, the weighted-average remaining lease term for the Company's financing leases was 33 months and the weighted-average discount rate was 2.42%.

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, 2020*:

Due dates		Future Minimum Rental Payments
2021		13,444
2022		12,447
2023		10,790
2024		8,635
2025		5,864
Thereafter		24,369
Total lease payments	$	75,549
Less: interest		(7,240)
Present value of lease liabilities	**$**	**68,309**

*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, 2020, there were $18 in legally binding lease payments for a lease signed but not yet commenced. The commencement date of the lease is July 1, 2020 and has a term of 36 months.

Maturity of Lease Liabilities under ASC 840

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, 2019:

Due dates	Future Minimum Rental Payments	
2020	$	15,559
2021		13,539
2022		11,860
2023		10,169
2024		8,835
Thereafter		11,671
Total lease payments	$	71,633

Rent expense for all operating leases was $15,196 and $10,835 during the years ended June 30, 2019 and 2018, respectively.

NOTE 4. PROPERTY AND EQUIPMENT

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

	June 30,				
	2020		2019		Estimated Useful Life
Land [1]	**$**	**22,885**	$	23,243	
Land improvements [1]		**23,765**		25,209	5 - 20 years
Buildings [1]		**146,193**		147,220	20 - 30 years
Leasehold improvements		**56,106**		48,478	5 - 30 years[2]
Equipment and furniture		**388,413**		365,101	3 - 10 years
Aircraft and equipment		**39,824**		39,293	4 - 10 years
Construction in progress		**279**		12,411	
Finance lease right of use asset [3]		**355**		—	
		677,820		660,955	
Less accumulated depreciation		**404,388**		388,481	
Property and equipment, net	**$**	**273,432**	$	272,474	

(1) Excludes assets held for sale in 2019
(2) Lesser of lease term or estimated useful life
(3) See Note 3 for details

The change in property and equipment in accrued liabilities was $44 and $14,315 for the fiscal years ended June 30, 2020 and 2019, respectively. The change in property and equipment acquired through capital leases was $355 and $0 for the fiscal years ended June 30, 2020 and 2019, respectively. These amounts were excluded from capital expenditures on the statements of cash flows.

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

At June 30, 2019, the Company had assets held for sale on its consolidated balance sheet related to its Houston, TX, and Elizabethtown, KY, facilities totaling $6,355 (excluded from the above table for fiscal 2019). These assets held for sale were sold during fiscal 2020. At June 30, 2020, the Company had no assets held for sale.

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 5. OTHER ASSETS

Goodwill

The carrying amount of goodwill for the fiscal years ended June 30, 2020 and 2019, by reportable segments, is as follows:

	June 30,	
Core	**2020**	2019
Beginning balance	**$ 199,956**	$ 195,956
Goodwill, acquired during the year	**—**	4,000
Goodwill, adjustments related to dispositions	**—**	—
Ending balance	**$ 199,956**	$ 199,956
Payments		
Beginning balance	**$ 325,326**	$ 325,204
Goodwill, acquired during the year	**—**	122
Goodwill, adjustments related to dispositions	**—**	—
Ending balance	**$ 325,326**	$ 325,326
Complementary		
Beginning balance	**$ 141,662**	$ 128,769
Goodwill, acquired during the year	**19,390**	12,893
Goodwill, adjustments related to dispositions	**—**	—
Ending balance	**$ 161,052**	$ 141,662

Goodwill acquired during fiscal 2020 totaled $19,390, all resulting from the purchase of Geezeo. The goodwill 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 their assembled workforces. No goodwill has been assigned to the Company's Corporate and Other reportable segment (see Note 13. Business Acquisitions).

Goodwill acquired during fiscal 2019 totaled $17,014, with $12,893 of that resulting from the purchase of BOLTS, $3,999 resulting from the purchase of Agiletics, and the remainder resulting from a measurement period adjustment on the Ensenta valuation. The goodwill arising from these acquisitions consists largely of the growth potential, synergies and economies of scale expected from combining the operations of the Company with those of BOLTS and Agiletics, together with the value of their assembled workforces. No goodwill was assigned to the Company's Corporate and Other reportable segment (see Note 13. Business Acquisitions).

Other Intangible Assets

Information regarding other identifiable intangible assets is as follows:

	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**

	June 30, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	$ 305,512	$ (204,859)	$ 100,653
Computer software	$ 759,671	$ (440,702)	$ 318,969
Other intangible assets:	$ 93,471	$ (61,957)	$ 31,514

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

Computer software includes cost of software to be sold, leased, or marketed of $142,493 and costs of internal-use software of $197,973 at June 30, 2020. At June 30, 2019, costs of software to be sold, leased, or marketed totaled $135,743, and costs of internal-use software totaled $183,226.

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 $92,460, $82,605, and $72,859 for the fiscal years ended June 30, 2020, 2019, and 2018, respectively. Computer software projects totaling $8,710, primarily related to Enterprise Risk Mitigation Solution and Payments Hub, were written off during the fiscal year ended June 30, 2020 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, 2019 and 2018.

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

Amortization expense for all intangible assets was $119,599, $113,255, and $104,011 for the fiscal years ended June 30, 2020, 2019, and 2018, respectively. The estimated aggregate future amortization expense for each of the next five years for all intangible assets remaining as of June 30, 2020, is as follows:

Years Ending June 30,	Computer Software	Customer Relationships	Other Intangible Assets	Total
2021	$ 78,873	$ 13,625	$ 9,083	$ 101,581
2022	62,311	12,314	6,157	80,782
2023	47,426	9,721	3,122	60,269
2024	31,396	8,339	1,668	41,403
2025	13,293	7,885	1,375	22,553

NOTE 6. DEBT

The Company had $115 outstanding short-term debt and $208 outstanding long-term debt at June 30, 2020, both related to financing leases. The Company had no outstanding short-term or long-term debt at June 30, 2019.

Revolving credit facility

On February 10, 2020, the Company entered into a new five-year senior, unsecured revolving credit facility. The new 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 new 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 new 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, 2020, the Company was in compliance with all such covenants. The new revolving credit facility terminates February 10, 2025. There was no outstanding balance under the new credit facility at June 30, 2020.

The Company also terminated its prior unsecured credit agreement on February 10, 2020. There was no outstanding balance under the terminated credit facility at June 30, 2019.

Other lines of credit

The Company has an unsecured bank credit line which provides for funding of up to $5,000 and bears interest at the prime rate less 1%. The credit line was renewed in May 2019 and expires on April 30, 2021. There was no balance outstanding at June 30, 2020 or 2019.

Interest

The Company paid interest of $475, $691, and $1,747 during the fiscal years ended June 30, 2020, 2019, and 2018, respectively.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Property and Equipment

The Company had no commitments at June 30, 2020 and an estimated $2,673 of commitments at June 30, 2019 to purchase property and equipment.

NOTE 8. INCOME TAXES

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

	Year Ended June 30,		
	2020	2019	2018
Current:			
Federal	**$ 46,137**	$ 54,800	$ 56,060
State	**13,690**	12,946	9,948
Deferred:			
Federal	**21,130**	4,177	(80,509)
State	**3,451**	3,427	5,625
	$ 84,408	$ 75,350	$ (8,876)

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

	June 30,	
	2020	2019
Deferred tax assets:		
Contract and service revenues	**$ 14,469**	$ 13,450
Expense reserves (bad debts, compensation, and payroll tax)	**14,096**	14,325
Leasing liabilities	**17,122**	—
Net operating loss and tax credit carryforwards	**3,786**	2,713
Other, net	**2,327**	851
Total gross deferred tax assets	**51,800**	31,339
Valuation allowance	**(473)**	(415)
Net deferred tax assets	**51,327**	30,924
Deferred tax liabilities:		
Accelerated tax depreciation	**(39,619)**	(31,846)
Accelerated tax amortization	**(166,343)**	(154,633)
Contract and service costs	**(73,331)**	(61,455)
Leasing right-of-use assets	**(16,032)**	—
Total gross deferred liabilities	**(295,325)**	(247,934)
Net deferred tax liability	**$ (243,998)**	$ (217,010)

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

	Year Ended June 30,		
	2020	2019	2018
Computed "expected" tax expense	**21.0%**	21.0%	28.1%
Increase (reduction) in taxes resulting from:			
State income taxes, net of federal income tax benefits	**3.6%**	3.7%	2.9%
Research and development credit	**(2.4)%**	(2.5)%	(2.0)%
Domestic production activities deduction	**—%**	—%	(1.4)%
TCJA deferred tax rate re-measurement	**—%**	—%	(30.0)%
Tax effects of share-based payments	**(0.1)%**	(1.4)%	(0.8)%
Other (net)	**—%**	0.9%	0.7%
	22.1%	21.7%	(2.5)%

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("TCJA") was enacted into law. The TCJA included numerous provisions that impacted the Company, including reducing the U.S. federal tax rate, eliminating the Domestic Production Activities Deduction, and providing expanded asset expensing. The TCJA reduced the U.S. federal statutory corporate income tax rate from 35% to 21%, effective January 1, 2018. For fiscal 2018, a blended U.S. federal statutory tax rate of approximately 28% applied to the Company.

As of June 30, 2020, the Company has $8,108 of gross federal net operating loss ("NOL") carryforwards pertaining to the acquisition of Goldleaf Financial Solutions, Inc., BOLTS, and Geezeo, which are expected to be utilized after the application of IRC Section 382. Separately, as of June 30, 2020, the Company has state NOL carryforwards with a tax-effected value of $532. The federal and state losses have varying expiration dates, ranging from fiscal 2021 to 2040. Based on state tax rules which restrict utilization of these losses, the Company believes it is more likely than not that $473 of these losses will expire unutilized. Accordingly, a valuation allowance of $473 and $415 has been recorded against the state net operating losses as of June 30, 2020 and 2019, respectively.

The Company paid income taxes, net of refunds, of $63,692, $62,005, and $60,382 in fiscal 2020, 2019, and 2018, respectively.

At June 30, 2020, the Company had $10,112 of gross unrecognized tax benefits, $9,434 of which, if recognized, would affect its effective tax rate. At June 30, 2019, the Company had $10,495 of unrecognized tax benefits, $9,892 of which, if recognized, would affect its effective tax rate. The Company had accrued interest and penalties of $1,565 and $1,514 related to uncertain tax positions at June 30, 2020 and 2019, respectively. The income tax provision included interest expense and penalties (or benefits) on unrecognized tax benefits of $38, $128, and $165 in the fiscal years ended June 30, 2020, 2019, and 2018, respectively.

A reconciliation of the unrecognized tax benefits for the fiscal years ended June 30, 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**

The U.S. federal and state income tax returns for fiscal 2017 and all subsequent years remain subject to examination as of June 30, 2020 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, 2020.

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 (which are insignificant at June 30, 2020 and 2019) 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, 2020, 2019, and 2018 includes $16,883, $12,589, and $11,758 of equity-based compensation costs, respectively, of which $15,148, $10,828, and $10,256 relates to the restricted stock plans, respectively. Costs are recorded net of estimated forfeitures. The income tax benefits from stock option exercises and restricted stock vestings totaled $340, $6,191, and $3,274 for the fiscal years ended June 30, 2020, 2019, and 2018, 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:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding July 1, 2017	72	$ 50.04	
Granted	—	—	
Forfeited	—	—	
Exercised	(20)	17.45	
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 June 30, 2020	**22**	**$ 87.27**	**$ 2,098**
Vested and Expected to Vest June 30, 2020	**22**	**$ 87.27**	**$ 2,098**
Exercisable June 30, 2020	**22**	**$ 87.27**	**$ 2,098**

There were no options granted in fiscal 2020, 2019, and 2018.

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. The assumptions used in estimating fair value and resulting compensation expenses at the grant dates are as follows:

Expected Life (years)	6.50 years
Volatility	19.60%
Risk-free interest rate	1.24%
Dividend yield	1.28%

At June 30, 2020, there was no compensation cost yet to be recognized related to outstanding options.

The total intrinsic value of options exercised was $809, $2,289, and $2,165 for the fiscal years ended June 30, 2020, 2019, and 2018, respectively.

Restricted Stock Plan and 2015 Equity Incentive Plan

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

Incentive Plan. Upon issuance, shares of restricted stock are subject to forfeiture and to restrictions which limit the sale or transfer of the shares during the restriction period. The restrictions 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	**Shares**	**Weighted Average Grant Date Fair Value**
Outstanding July 1, 2017	36	$ 73.66
Granted	—	—
Vested	(12)	58.61
Forfeited	(1)	64.60
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 June 30, 2020	**—**	**$ —**

The non-vested share awards granted prior to July 1, 2016 do not participate in dividends during the restriction period. As a result, the weighted-average fair value of the non-vested share awards was based on the fair market value of the Company's equity shares on the grant date, less the present value of the expected future dividends to be declared during the restriction period, consistent with the methodology for calculating compensation expense on such awards. The non-vested share awards granted during the fiscal year ended June 30, 2018 do participate in dividends during the restriction period. The weighted-average fair value of such participating awards was based on the fair market value on the grant date.

At June 30, 2020, there was no compensation expense yet to be recognized related to non-vested restricted stock share awards.

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 occurs over a period of 1 to 3 years.

The following table summarizes non-vested unit awards as of June 30, 2020, 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, 2017	386	$ 67.84	
Granted	125	98.41	
Vested	(156)	57.00	
Forfeited	(4)	81.83	
Outstanding July 1, 2018	351	83.37	
Granted	80	169.53	
Vested	(129)	82.06	
Forfeited	(4)	92.32	
Outstanding July 1, 2019	298	107.00	
Granted	**139**	**157.94**	
Vested	**(69)**	**98.25**	
Forfeited	**(61)**	**85.33**	
Outstanding June 30, 2020	**307**	**$136.41**	**$56,476**

The 139 unit awards granted in fiscal 2020 had service requirements and performance targets, with 99 only having service requirements. Those 99 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 40 unit awards granted in fiscal 2020 had performance targets along with service requirements, 38 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. The remaining unit awards granted in fiscal 2020 had other performance targets. Per the Company's award vesting and settlement provisions, approximately half of the awards that utilize a Monte Carlo pricing model were valued at grant on the basis of TSR in comparison to the compensation peer group approved by the Compensation Committee of the Company's Board of Directors for fiscal year 2020, 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,		
	2020	2019	2018
Compensation peer group:			
Volatility	**16.8%**	15.3%	15.6%
Risk free interest rate	**1.34%**	2.89%	1.55%
Dividend yield	**1.1%**	0.9%	1.2%
yStock Beta	**0.709**	0.669	0.687
S&P 1500 IT Index:			
Volatility	**16.8%**	—%	—%
Risk free interest rate	**1.34%**	—%	—%
Dividend yield	**1.1%**	—%	—%
Stock Beta	**0.536**	—	—

At June 30, 2020, there was $19,780 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 $11,248, $34,645, and $17,951 for the fiscal years ended June 30, 2020, 2019, and 2018, respectively.

NOTE 11. EARNINGS PER SHARE

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

	Year Ended June 30,		
	2020	2019	2018
Net Income	**$ 296,668**	$ 271,885	$ 365,034
Common share information:			
Weighted average shares outstanding for basic earnings per share	**76,787**	77,160	77,252
Dilutive effect of stock options, restricted stock units, and restricted stock	**147**	187	333
Weighted average shares outstanding for diluted earnings per share	**76,934**	77,347	77,585
Basic earnings per share	**$ 3.86**	$ 3.52	$ 4.73
Diluted earnings per share	**$ 3.86**	$ 3.52	$ 4.70

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 2 anti-dilutive weighted average shares excluded from the weighted average shares outstanding for diluted earnings per share for fiscal 2020, no shares were excluded for fiscal 2019, and 41 shares were excluded for fiscal 2018.

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, 2020, 2019 and 2018, employees purchased 74, 76, and 76 shares under this plan at average prices of $132.51, $118.32, and $98.46, respectively. As of June 30, 2020, approximately 1,230 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 $25,155, $21,003, and $18,821 for fiscal 2020, 2019 and 2018, 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 has completed a purchase price allocation and its assessment of the fair value of acquired assets and liabilities assumed. The recognized amounts of identifiable assets acquired, and liabilities assumed, based on their fair values as of July 1, 2019 are set forth below:

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

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 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 year ended June 30, 2019 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.

Management has completed a purchase price allocation and its assessment of the fair value of acquired assets and liabilities assumed. The recognized amounts of identifiable assets acquired, and liabilities assumed, based on their fair values as of October 5, 2018 are set forth below:

Current assets	$	1,384
Identifiable intangible assets		2,274
Total other liabilities assumed		(1,505)
Total identifiable net assets		2,153
Goodwill		12,893
Net assets acquired	$	15,046

The amounts shown above include measurement period adjustments made during fiscal 2020 related to income taxes.

The goodwill of $12,893 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 BOLTS, together with the value of BOLTS' assembled workforce. The goodwill from this acquisition has been allocated to the Company's Complementary segment and is not deductible for income tax purposes.

Identifiable intangible assets from this acquisition consist of customer relationships of $567, computer software of $1,409, and other intangible assets of $298. The weighted average amortization period for acquired customer relationships, computer software, and other intangible assets is 15 years, 10 years, and 10 years, respectively.

Current assets were inclusive of cash acquired of $1,365. The fair value of current assets acquired included accounts receivable of $14, none of which were expected to be uncollectible.

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

The accompanying consolidated statement of income for the fiscal year ended June 30, 2019 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 both the current and prior periods of the Company's consolidated financial statements and, accordingly, pro forma financial information has not been provided.

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.

Management has completed a purchase price allocation and its assessment of the fair value of acquired assets and liabilities assumed. The recognized amounts of identifiable assets acquired, and liabilities assumed, based on their fair values as of October 1, 2018 are set forth below:

Current assets	$	2,170
Identifiable intangible assets		3,090
Non-current deferred income tax liability		(872)
Total other liabilities assumed		(738)
Total identifiable net assets		3,650
Goodwill		3,999
Net assets acquired	$	7,649

The amounts shown above include measurement period adjustments made during fiscal 2020 related to income taxes.

The goodwill of $3,999 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 Agiletics. The goodwill from this acquisition has been allocated to the Company's Core segment and is not deductible for income tax purposes.

Identifiable intangible assets from this acquisition consist of customer relationships of $2,198, computer software of $701, and other intangible assets of $191. The weighted average amortization period for acquired customer relationships, computer software, and other intangible assets is 15 years, 10 years, and 10 years, respectively.

Current assets were inclusive of cash acquired of $1,349. The fair value of current assets acquired included accounts receivable of $302, none of which were expected to be uncollectible.

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

The accompanying consolidated statement of income for the fiscal year ended June 30, 2019 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 both the current and prior periods of the Company's consolidated financial statements and, accordingly, pro forma financial information has not been provided.

Ensenta Corporation

On December 21, 2017, the Company acquired all of the equity interest of EST Holdings, Inc. and its wholly owned subsidiary, EST Interco, Inc., for $134,381 paid in cash. EST Holdings, Inc. and EST Interco, Inc. jointly owned all of the outstanding equity of Ensenta, a California-based provider of real-time, cloud-based solutions for mobile and online payments and deposits. This acquisition was partially funded by a draw on the Company's revolving credit facility, with the remaining amount funded by existing operating cash. The addition of Ensenta to the JHA Payment Solutions Group expanded the Company's ability to conduct real-time transactions with third-party platforms, extending its presence in the credit union market through shared branching technology.

For the fiscal year ended June 30, 2020, the Company's consolidated statement of income included revenue of $43,082 and after-tax net income of $16,662 resulting from Ensenta's operations. For the fiscal year ended June 30, 2019, the Company's consolidated statement of income included revenue of $35,688 and after-tax net income of $11,163. For the fiscal year ended June 30, 2018, Ensenta contributed fiscal 2018 revenue of $15,776 and after-tax net income of $8,197. Excluding a large benefit from the TCJA, the Company's after-tax net income resulting from Ensenta's operations totaled $536.

Vanguard Software Group

On August 31, 2017, the Company acquired all of the equity interest of Vanguard, a Florida-based company specializing in the underwriting, spreading, and online decisioning of commercial loans, for $10,744 paid in cash. This acquisition was funded using existing operating cash. The addition of Vanguard to the Company's ProfitStars® Lending Solutions Group expanded functionality offered to clients, allowing for near-real-time communication with JHA's core processing and ancillary solutions, and also enhances cross-sell opportunities.

For the fiscal year ended June 30, 2020, the Company's consolidated statement of income included revenue of $4,857 and after-tax net income of $655 resulting from Vanguard's operations. For the fiscal year ended June 30, 2019, the Company's consolidated statement of income included revenue of $3,120 and after-tax net loss of $243. For the fiscal year ended June 30, 2018, Vanguard contributed revenue of $1,486 and after-tax net loss of $870.

NOTE 14. REPORTABLE SEGMENT INFORMATION

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

Beginning in the first quarter of fiscal 2018, JHA changed its reportable segment structure from two customer-centric segments, Bank and Credit Union, to four product-centric segments. The change was made based on the view of its Chief Executive Officer, who is also the Chief Operating Decision Maker, that the Company could be more effectively managed using a product-centric approach and was driven by the first budgetary process under his administration.

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 fiscal 2020, immaterial adjustments were made to reclassify revenue recognized in fiscal 2019 from the Complementary to the Core segment and from the Complementary to the Payments segment to be consistent with the current year's allocation of revenue by segment. For the fiscal year ended June 30, 2019, the amount reclassified totaled $2,614.

	Year Ended June 30, 2020				
	Core	**Payments**	**Complementary**	**Corporate and Other**	**Total**
REVENUE					
Services and Support	$ 550,794	$ 66,920	$ 380,842	$ 52,895	$ 1,051,451
Processing	31,372	530,773	82,507	964	645,616
Total Revenue	582,166	597,693	463,349	53,859	1,697,067
Cost of Revenue	252,878	319,739	191,577	244,270	1,008,464
Research and Development					109,988
Selling, General, and Administrative					197,988
Gain on Disposal of Businesses					—
Total Expenses					1,316,440
SEGMENT INCOME	$ 329,288	$ 277,954	$ 271,772	$ (190,411)	
OPERATING INCOME					380,627
INTEREST INCOME (EXPENSE)					449
INCOME BEFORE INCOME TAXES					$ 381,076

	Year Ended June 30, 2019				
	Core	Payments	Complementary	Corporate and Other	Total
REVENUE					
Services and Support	$ 507,610	$ 52,756	$ 347,028	$ 51,095	$ 958,489
Processing	28,422	496,574	68,573	633	594,202
Total Revenue	536,032	549,330	415,601	51,728	1,552,691
Cost of Revenue	243,989	273,261	175,737	230,043	923,030
Research and Development					96,378
Selling, General, and Administrative					185,998
Gain on Disposal of Businesses					—
Total Expenses					1,205,406
SEGMENT INCOME	$ 292,043	$ 276,069	$ 239,864	$ (178,315)	
OPERATING INCOME					347,285
INTEREST INCOME (EXPENSE)					(50)
INCOME BEFORE INCOME TAXES					$ 347,235

	Year Ended June 30, 2018				
	Core	Payments	Complementary	Corporate and Other	Total
REVENUE					
Services and Support	$ 482,216	$ 47,641	$ 333,812	$ 57,070	$ 920,739
Processing	27,605	460,690	61,607	156	550,058
Total Revenue	509,821	508,331	395,419	57,226	1,470,797
Cost of Revenue	232,868	245,269	163,905	211,096	853,138
Research and Development					90,340
Selling, General, and Administrative					171,710
Gain on Disposal of Businesses					(1,894)
Total Expenses					1,113,294
SEGMENT INCOME	$ 276,953	$ 263,062	$ 231,514	$ (153,870)	
OPERATING INCOME					357,503
INTEREST INCOME (EXPENSE)					(1,345)
INCOME BEFORE INCOME TAXES					$ 356,158

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

NOTE 15: SUBSEQUENT EVENTS

Dividends

On August 21, 2020, the Company's Board of Directors declared a cash dividend of $0.43 per share on its common stock, payable on September 28, 2020 to shareholders of record on September 9, 2020.

QUARTERLY FINANCIAL INFORMATION
(unaudited)

	For the Year Ended June 30, 2020				
	Quarter 1	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Total**
REVENUE	**$ 438,005**	**$ 419,119**	**$ 429,406**	**$ 410,537**	**$ 1,697,067**
EXPENSES					
Cost of Revenue	245,791	249,267	258,571	254,835	1,008,464
Research and Development	24,591	27,187	28,308	29,902	109,988
Selling, General, and Administrative	49,436	48,961	50,589	49,002	197,988
Total Expenses	**319,818**	**325,415**	**337,468**	**333,739**	**1,316,440**
OPERATING INCOME	**118,187**	**93,704**	**91,938**	**76,798**	**380,627**
INTEREST INCOME (EXPENSE)					
Interest income	508	346	197	86	1,137
Interest expense	(156)	(156)	(165)	(211)	(688)
Total interest income (expense)	**352**	**190**	**32**	**(125)**	**449**
INCOME BEFORE INCOME TAXES	**118,539**	**93,894**	**91,970**	**76,673**	**381,076**
PROVISION/ (BENEFIT) FOR INCOME TAXES	29,169	21,796	18,115	15,328	84,408
NET INCOME	**$ 89,370**	**$ 72,098**	**$ 73,855**	**$ 61,345**	**$ 296,668**
Basic earnings per share	**$ 1.16**	**$ 0.94**	**$ 0.96**	**$ 0.80**	**$ 3.86**
Basic weighted average shares outstanding	**76,972**	**76,879**	**76,683**	**76,615**	**76,787**
Diluted earnings per share	**$ 1.16**	**$ 0.94**	**$ 0.96**	**$ 0.80**	**$ 3.86**
Diluted weighted average shares outstanding	**77,067**	**76,935**	**76,884**	**76,849**	**76,934**

	For the Year Ended June 30, 2019				
	Quarter 1	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Total**
REVENUE	**$ 392,543**	**$ 386,275**	**$ 380,364**	**$ 393,509**	**$ 1,552,691**
EXPENSES					
Cost of Revenue	220,112	227,284	235,594	240,040	923,030
Research and Development	24,026	23,990	23,442	24,920	96,378
Selling, General, and Administrative	45,183	46,797	44,887	49,131	185,998
Total Expenses	**289,321**	**298,071**	**303,923**	**314,091**	**1,205,406**
OPERATING INCOME	**103,222**	**88,204**	**76,441**	**79,418**	**347,285**
INTEREST INCOME (EXPENSE)					
Interest income	291	252	155	178	876
Interest expense	(147)	(148)	(224)	(407)	(926)
Total interest income (expense)	**144**	**104**	**(69)**	**(229)**	**(50)**
INCOME BEFORE INCOME TAXES	**103,366**	**88,308**	**76,372**	**79,189**	**347,235**
PROVISION/ (BENEFIT) FOR INCOME TAXES	19,815	20,219	17,120	18,196	75,350
NET INCOME	**$ 83,551**	**$ 68,089**	**$ 59,252**	**$ 60,993**	**$ 271,885**
Basic net income per share	**$ 1.08**	**$ 0.88**	**$ 0.77**	**$ 0.79**	**$ 3.52**
Basic weighted average shares outstanding	**77,188**	**77,216**	**77,177**	**77,060**	**77,160**
Diluted net income per share	**$ 1.08**	**$ 0.88**	**$ 0.77**	**$ 0.79**	**$ 3.52**
Diluted weighted average shares outstanding	**77,537**	**77,409**	**77,286**	**77,157**	**77,347**

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

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BOARD OF DIRECTORS

JOHN F. "JACK" PRIM
CHAIRMAN OF THE BOARD
Former Chief Executive Officer, Jack Henry & Associates, Inc.
Monett, Missouri

DAVID B. FOSS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Jack Henry & Associates, Inc.
Monett, Missouri

MATTHEW C. FLANIGAN
VICE CHAIRMAN AND LEAD DIRECTOR, JACK HENRY & ASSOCIATES, INC.
Former Executive Vice President and Chief Financial Officer
Leggett & Platt, Incorporated
Carthage, Missouri

THOMAS H. WILSON, JR.
MANAGING PARTNER
DecisionPoint Advisors, LLC
Charlotte, North Carolina

JACQUELINE R. FIEGEL
CHAIRMAN/CENTRAL OKLAHOMA AREA
Prosperity Bank
Houston, Texas

THOMAS A. WIMSETT
CHAIRMAN AND MANAGING PARTNER
Merchant's PACT, LLC
Louisville, Kentucky

LAURA G. KELLY
MANAGING DIRECTOR AND PRESIDENT, THE COLUMBIA INSTITUTE
CoreLogic
Irvine, California

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Orange County's Credit Union
Santa Ana, California

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Bent St. Vrain & Company, LLC
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President and Chief Executive Officer

KEVIN D. WILLIAMS
Chief Financial Officer and Treasurer

GREGORY R. ADELSON
Chief Operating Officer

TEDDY I. BILKE
Senior Vice President and Chief Technology Officer

CRAIG K. MORGAN
General Counsel and Secretary

RUSSELL L. BERNTHAL
Senior Vice President and President of ProfitStars

STACEY E. ZENGEL
Senior Vice President and President of Jack Henry Banking

STEVEN W. TOMSON
Senior Vice President and Chief Sales and Marketing Officer

ANNUAL MEETING

The annual meeting of shareholders will be conducted as an online meeting on **Tuesday, November 17, 2020 at 11 a.m. CT** at **www.meetingcenter.io/283255771**.

Due to the continuing public health impact of the novel coronavirus (COVID-19) pandemic and in keeping with the company's current safety precautions related to in-person meetings and request for employees to work remotely, the annual meeting will be held in a virtual-only meeting format. Anyone may listen to the meeting as a guest by visiting the website, but only shareholders with a valid control number and password may participate at the meeting. Please refer to the proxy statement for the annual meeting for further information.

FORM 10-K

A copy of the company's Form 10-K is available upon request to the Chief Financial Officer at the corporate headquarters address or from our website at **jackhenry.com**.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.
P.O. Box 505000
Louisville, KY 40233

MAIL	PHONE	FAX	ONLINE
663 Highway 60 P.O. Box 807 Monett, MO 65708	417-235-6652	417-235-4281	jackhenry.com

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