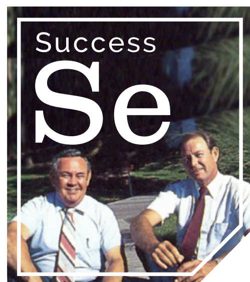
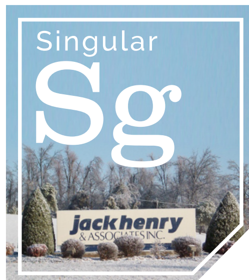
THE [*Elements*] OF JHA

ANNUAL REPORT 2017





jack henry
& ASSOCIATES INC.®

[**Elements**] of JHA

Driven
Dv
We are driven by the most engaged, empowered, and exceptional people in our industry.

Service
Sr
We define amazing service for our customers.

Success
Se
We do the right thing and whatever it takes to ensure the success of our customers.

Solutions
Sl
We build, buy, and sell industry-leading solutions.

Payments
Pt
We make payment processing less complex.

Core
Cr
We deliver competitive core platforms.

Value
Vl
We consistently deliver remarkable shareholder value.

Co-opetition
Co
We embrace "co-opetition" for the betterment of our industry.

Singular
Sg
We strive to be singular in the eyes of the customer.

Fun
Fn
We know how to have fun.

[*Elements*]

They're the ultimate building blocks of who we are and the foundation of everything we experience.

We at Jack Henry & Associates, Inc.® have uncovered many reasons to appreciate the successes of our past. And reflecting on our traditions of quality and service always inspires a sense of excitement for our future.

As we chart the journey ahead, we do so with strength, optimism, and a renewed focus on what truly makes us who we are. What drives us? What is the framework by which we define ourselves as individuals? As an organization? How do we take the components of ***who we are, what we do, and why we do it,*** and blend them with our time-tested philosophy and core values in a way that resonates with our Associates in a tangible way?

On the following pages, you'll experience our new internal campaign that defines the elements of who we are. These ***elements*** are a testament to the decades-long truth that Jack Henry & Associates is an extraordinary company for our employees, customers, business partners, and shareholders.

[2017]

STRENGTH. OPTIMISM. FOCUS.

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[Fellow Shareholders]

Fiscal year 2017 marked another year of very solid performance across all three of our brands with our combined sales team exceeding quota again this year. Financial industry health remains strong, de novo financial institutions are re-emerging, and our company continues to thrive. Additionally, our employee engagement scores remain very high and our Associates continue to represent our company with the utmost care for our customers.

Speaking of our Associates, we're proud to have been recognized in May, 2017 by *Forbes* magazine as one of America's Best Large Employers. JHA ranked No. 95 out of 500 overall and an unprecedented No. 7 in the IT, Internet, Software, and Services category among other large companies including Google, Microsoft, SAS, and Intuit. Now more than 6,000 Associates strong, our company is burgeoning with exceptional talent nationwide, and it means a great deal to us that they so openly share how happy they are to work here.

We continue to invest in career development for our Associates at every level of the organization, based on our belief that a truly strong company is built from the inside out. In fiscal year 2017, we began several initiatives aimed at improving how we position our company for the future. We rolled out a new talent management program to focus on the next generation of top talent, and initiated several training programs to build stronger leaders within our organization.

ONE OF AMERICA'S BEST LARGE EMPLOYERS
Forbes Magazine, May 2017

During fiscal year 2017, we continued to seek out opportunities to run our business more efficiently. On May 1, 2017, we divested our Regulatory Filing product line to a small independent company more focused in this area. Additionally, we are working on a number of Continuous Process Improvement (CPI) initiatives designed to help us revamp processes throughout the organization.

Our R&D investments in the recent past enabled us to introduce several new solutions in fiscal year 2017. These include, but are not limited to, a new treasury management solution, an enterprise risk mitigation offering, an electronic invoice presentment and payment solution for billers, several key enhancements to our core solutions, and enhanced commercial lending products.

We celebrated 48 new core wins this year which includes the signing of six de novo institutions. The re-emergence of new banks is an encouraging sign of economic confidence and offers expanded opportunities for our business.

Our customers continue to realize the many benefits of the outsourced delivery model, which is also referred to as hosted delivery, in-the-cloud, or Software-as-a Service (SaaS). Today, 52% of our core customers have chosen software delivered in a hosted environment. This shift has been a significant contributor to our recurring revenue composition which reached 79% in fiscal year 2017.

As in previous years, our electronic payments business was a large part of our total revenue, primarily due to transaction fees and the trend toward electronic payment alternatives. Payments generated approximately $537 million in annual revenue, or 38% of our total revenue.

We made significant strides this fiscal year in the area of faster payments. In March 2016, we announced a partnership with The Clearing House (TCH), and in November, 2016 we teamed up with Early Warning to resell their Zelle℠ Network. We were also excited to report in May that we entered into a strategic services agreement with First Data® and PSCU® to further expand the credit and debit card products offered to financial institutions by our JHA Card Processing Solutions™ group. You can read more about this on page 11.

We continue to use our strong balance sheet and cash flow to generate value for our shareholders. In fiscal year 2017, we generated 6% revenue growth during the year, with 100% being organic growth. We returned $222 million to our shareholders as we increased our quarterly dividend by 11% and repurchased over 1.4 million shares of JHA stock in the market for the treasury.

Total revenue increased to a record $1.4 billion. Net income was $246 million or $3.14 per diluted share, as compared to net income of $249 million or $3.12 per diluted share reported for fiscal year 2016. Net income

(continued on next page) »

FY17 LEADERSHIP HEADLINES

- We welcomed a new General Counsel in November 2016.
- In January, 2017, we named a new General Manager of Human Resources.
- David Foss was appointed to the Board of Directors effective July 1, 2017, expanding the board to nine members, including seven independent outside directors and two non-independent directors.

and earnings per share were also records excluding the impact of the divestiture of Alogent in fiscal 2016, as net income was $229 million or $2.87 per diluted share. We generated strong cash flow from operating activities of $357 million, as compared to $366 million in fiscal year 2016. Our return on assets was 13%, and return on equity was 24%. We generated strong profitability with a 26% operating margin.

DAVID B. FOSS
President and Chief Executive Officer

48
new core wins

KEVIN D. WILLIAMS
Chief Financial Officer and Treasurer

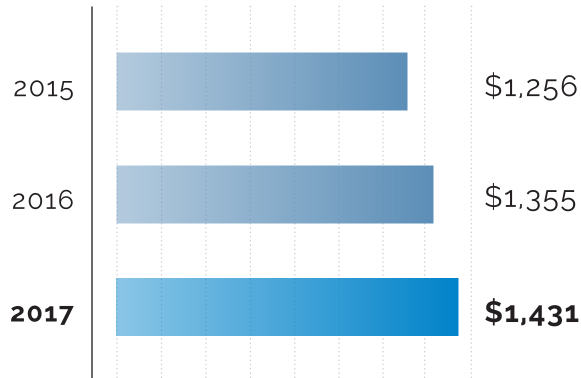
As we look forward to the future, there are many reasons to be energized. With the expertise we have in place, the strong company we have built, and the solid direction we have defined for ourselves, we are optimistic about what lies ahead.

On behalf of the board of directors and the entire leadership team, we would like to thank our Associates for their passion and dedication to our fundamental values and strategic direction. We thank our more than 9,000 customers for their business and loyalty. And we thank you for your investment in our company.

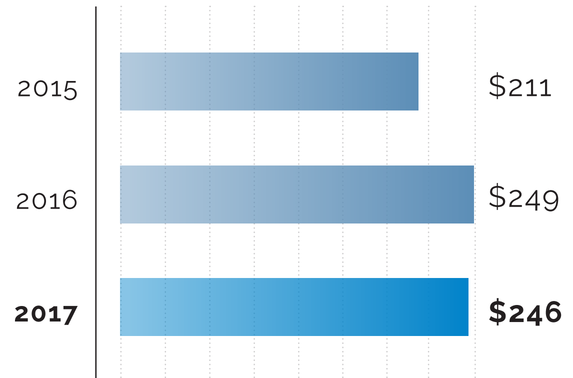
Financial Highlights

IN MILLIONS EXCEPT PER SHARE DATA

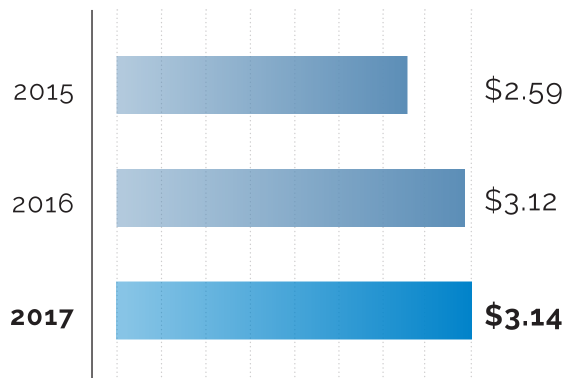
Revenue



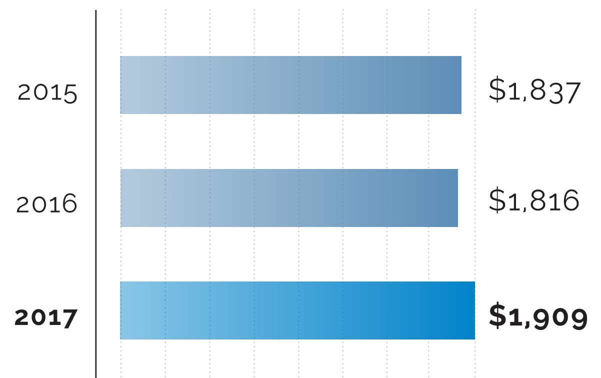
Net Income



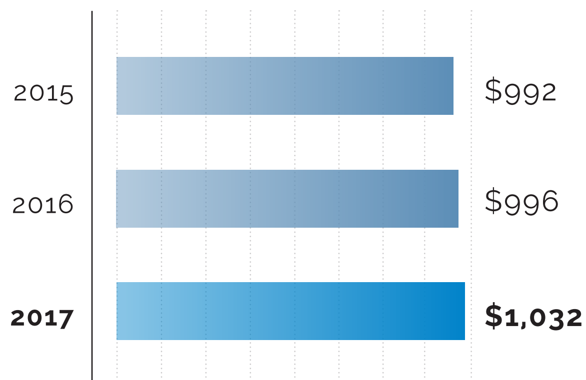
Diluted Earnings Per Share



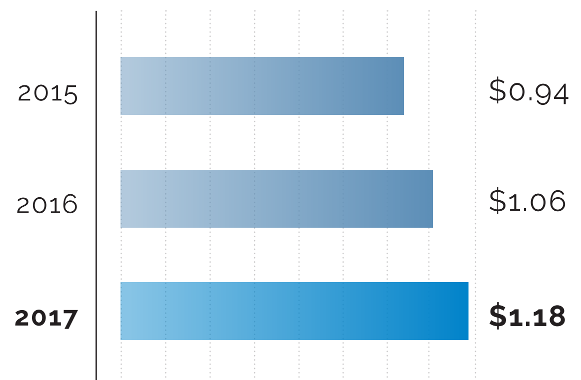
Total Assets



Stockholders' Equity



Dividends Declared Per Share



[Driven] WE ARE DRIVEN BY THE MOST ENGAGED, EMPOWERED, AND EXCEPTIONAL PEOPLE IN OUR INDUSTRY

Jack Henry & Associates employs more than 6,000 dedicated Associates – the true foundation of our organization. They are passionate, devoted, self-motivated, and committed to achieving success for our company and customers. "Drive for Results" is one of our five organizational core values, and our Associates prove day-in and day-out that they embody this element of JHA.

Our Associates regularly share good things about our company. This year, they had the opportunity to share their feedback with our CEO and General Manager of Human Resources during the CEO Roadshows and HR Listening Tours – two events designed to answer employee questions and garner feedback on how to improve our business and workplace environment. We also have a formal documented process where every other year general managers do skip-a-level meetings with Associates deeper in their organization to discuss what the company is doing right and opportunities we have to improve. Then, we act on this information. Because we care and listen, we win numerous top workplace awards each year, and, as mentioned previously in this report, we were recognized by *Forbes* this year among many other outstanding companies in IT services.

Our employee engagement surveys also continually show that we exceed the benchmark scores when it comes to employee satisfaction – which we believe translates to happy customers and, as noted below, happy shareholders.

OUR WORKPLACE AWARDS INCLUDE:

"I love working for JHA and want to make sure I represent the company in a very passionate and positive manner to customers. I'm onsite all the time and I'm able to get really involved in their questions and how they will pertain to their live system and what to expect. I genuinely care about our customers and I want them to love my product and feel much better and more confident by the time I leave. Customer satisfaction is truly what drives me to succeed."

MELODIE STOCKTON
JHA Associate
Applications Trainer, Advanced | *Yukon, Oklahoma*

"I am the most rewarded when I feel like I am making a difference for people. When someone tells me that I have made their job easier, or a financial institution appreciates a change we have made, it makes me want to continue pushing for better solutions."

JESSICA MATTHEWS
JHA Associate
Technical Business Analyst, Senior | *Lenexa, Kansas*

MISSION STATEMENT

To protect and increase the value of our stockholders' investment by providing quality products and services to our customers. In accomplishing this we feel it is important to:

- Concentrate our activities on what we know best – information systems and services for financial institutions.
- Provide outstanding commitment and service to our customers so that the perceived value of our products and services is consistent with the real value.
- Maintain a work environment that is personally, professionally, and financially rewarding for our employees.

[Service] WE DEFINE AMAZING SERVICE FOR OUR CUSTOMERS

At JHA, we understand and appreciate that our ability to provide outstanding customer service is, and always has been, paramount to our success. We don't just "deliver good service," we are passionate about truly going above and beyond to provide exceptional service. And it shows.

We send random surveys to our customers following service events throughout the year, asking them to rate the quality of their service experience. Receiving a 4 rating is considered exceeding expectations, and we consistently rank closer to the 5, or far exceeded, mark. Our customer service representatives must practically receive all 5s on the survey in order to get an overall rating above 4.5, yet they consistently perform at a level that far exceeds customer expectations.

"JHA has been fantastic to work with over the few months we have been on our new system. The conversion team was awesome and helped make it successful for our members and our staff. After our conversion, we needed to add some additional functionality to our indirect lending program. The JHA team jumped into action and made that happen for us."

CHAD MERRIHEW
Senior Vice President and Chief Operating Officer
Security Credit Union | *Flint, Michigan*

"We have been extremely happy with the service we have received from JHA. Everyone goes over and above to be helpful. The project management that JHA provides is very organized, items are prioritized and addressed in a functional order, and the expertise and helpfulness of the team are great! But in our eyes, the number one most important thing is the exceptional service we receive from our Client Relationship Manager who always goes the extra mile for us. She addresses items immediately, her follow-ups are exceptional, and she always keeps us up-to-date on the latest news and product updates at JHA."

THERESA TAGGART
Vice President, Information Technology
Sun East FCU | *Aston, Pennsylvania*

DAILY CUSTOMER SATISFACTION SURVEYS
Questions asked of our customers

Service
Sr
We define amazing service for our customers.

4.66 OUT OF 5 *rating**

What is your overall rating of the Customer Service Representative?

4.57 OUT OF 5 *rating**

What is your rating for this customer service experience?

*As of June 2017

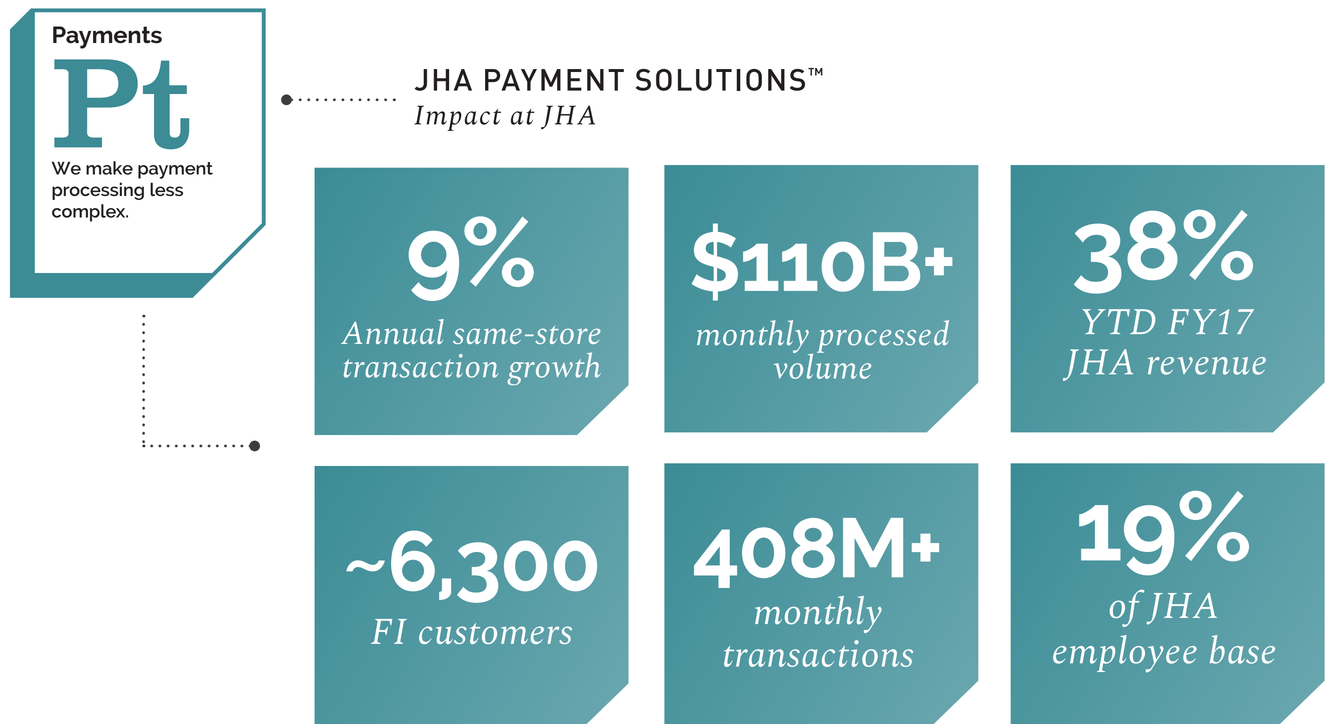
[Payments] WE MAKE PAYMENT PROCESSING LESS COMPLEX

Payments continues to be one of JHA's fastest growing business lines. From debit card and online bill payments to emerging payment channels like person-to-person (P2P) and mobile remote deposit capture, we offer a dynamic suite of solutions that quickly, accurately, and securely move money through virtually all payment channels and support all remittance types.

In fiscal year 2017, we made significant strides in bringing faster payments to our customers. In March 2016, our JHA Payment Solutions™ group announced a partnership with The Clearing House (TCH). TCH is building a new real-time payment system, which they will own and operate. In partnering with JHA Payment Solutions, TCH will greatly expand the new system's reach and advance the goal of real-time payment ubiquity.

We are also building a payments hub that will help ensure our financial institution customers remain at the center of payment innovation. The JHA faster payments hub provides streamlined, secure payment capabilities for sending and receiving transactions in real time and around-the-clock through our core and complementary solutions, enabling financial institutions of all sizes to remain at the forefront of faster payments. In November 2016, JHA also announced a partnership with Early Warning to resell their Zelle℠ Network and enable our financial institution customers to send faster P2P payments to nearly anyone with a U.S. bank or credit union account.

In May 2017, we entered into a strategic services agreement with First Data® – the global leader in payment technology and services solutions – and PSCU® – a leading credit union service organization – to further expand the credit and debit card products offered to financial institutions by our JHA Card Processing Solutions™ group. The new, combined services will allow us to provide full-service credit and debit card processing to all existing core bank and credit union customers on a single platform, as well as expand our card processing platform to financial institutions outside the JHA core customer base.



[Success]

WE DO THE RIGHT THING AND WHATEVER IT TAKES TO ENSURE THE SUCCESS OF OUR CUSTOMERS

We know that success isn't a given. It takes hard work, dedication, and follow-through to truly stand out and succeed in our competitive industry. In 1976 when our co-founders, Jack Henry and Jerry Hall, established our guiding principles, they expressed the important notions to always do the right thing and to do whatever it takes – even when living up to those standards may not be the easiest thing to do.

This strong work ethic was instilled in our culture then, and it remains engrained in each facet of our business today. It means we act with integrity. It means we work tirelessly to ensure that our customers are satisfied. And ultimately, it means that no matter what, our customers can depend on us.

Success

Se

We do the right thing and whatever it takes to ensure the success of our customers.

CO-FOUNDERS:
Jack Henry and Jerry Hall

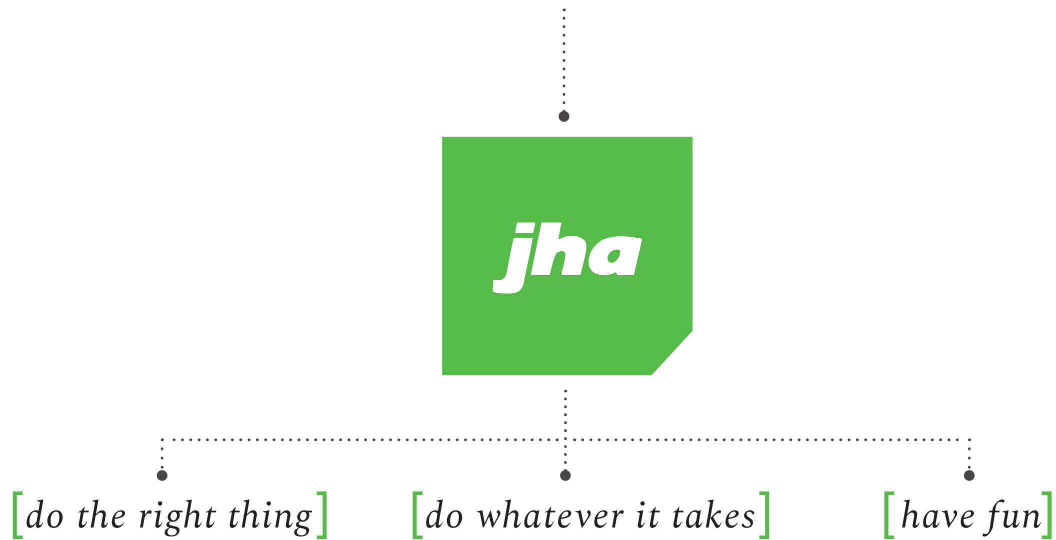
"Extraco Banks has been a customer of Jack Henry and Associates for more than 25 years. Recently, we had a vision to develop direct integration to our core system for our video tellers, also known as ExtraBankers, allowing additional efficiencies by removing the unnecessary duplication of entry in transactions. Thankfully, Jack Henry listened and certified us as the beta bank to assist and help lead the change with the integration process.

We are pleased to report that Jack Henry did whatever it took to support our project and we now offer ExtraBanker support to our customers via full-service and self-service channels, both inside and outside of our branches, allowing transactions and service to be delivered to the customer by an off premises Relationship Banker via video technology. The Jack Henry team showed persistence, courtesy, and superior support throughout the extensive project from beginning to end.

We are continuously pleased with the vision Jack Henry shares to support and facilitate the innovation aspirations of their customers."

JAMES GEESLIN
Vice Chairman and Chief Consumer Banking Officer
Extraco Banks **|** *Waco, Texas*

OUR GUIDING PRINCIPLES



"A great example of Symitar going above and beyond to ensure our success occurred a couple of years ago when another vendor experienced a technical problem that caused significant risk and potential financial liability to our CU. We were working with the vendor for a couple of days to try and resolve an out-of-balance condition as a result of the technical problem.

Symitar proactively contacted me to inquire if we were experiencing a balancing problem with our vendor. They promptly provided a customized batch routine to allow us to identify the financial and transaction outage and bulk post thousands of transactions to make us whole, while the vendor that caused the issue was still trying to determine how they would identify the transactions to produce a report with no viable solution to provide a batch posting process.

Symitar proactively helped us resolve an issue caused by another vendor. Now that is exceptional service!"

GARY LINDSEY

Vice President, Information Systems – Chief Information Officer

American Airlines Credit Union **|** *Fort Worth, Texas*

[Solutions] WE BUILD, BUY, AND SELL INDUSTRY-LEADING SOLUTIONS

Our company was originally founded to support community banks with in-house data processing systems. Today, we sell and support more than 300 products and services in both in-house and hosted environments that enable financial institutions and diverse businesses outside the financial industry to process financial transactions, automate their businesses, and succeed in a competitive and evolving industry landscape.

BUILD | We are keenly focused on identifying the technology needs of our customers and developing the integrated solutions that best serve those needs. We are passionate about keeping our solutions competitive and responsive to constantly evolving customer and consumer demands.

BUY | We keep an eye out for acquisition opportunities or innovators in our industry who have niche products that could complement our own. Our approach is extremely disciplined. We strive to ensure that the companies we acquire fill a strategic business need, are competitively priced, and culturally align with our values.

SELL | Through developing our own solutions and forging alliances with other companies that complement our proprietary offerings, we are able to regularly introduce new products and services that generate extensive cross-sale opportunities among our three brands and offer both best-of-breed and best-of-suite solutions to our customers.

2017 TECHNOLOGY SPOTLIGHT

The **Banno™** suite gained more momentum as we integrated Banno Mobile™ into our Jack Henry Banking® and Symitar® core systems.

We announced our **CECL DataStore and Validation**℠ solution which enables our customers to better position themselves for current expected credit loss (CECL) regulations.

We partnered with SAS® to develop our **Enterprise Risk Mitigation Solutions™**, empowering our customers to complete more thorough risk assessments.

We integrated sophisticated **treasury management tools** into our Jack Henry Banking core platforms.

We continue to see more and more JHA customers move their IT infrastructure to our secure cloud computing environment with our **Gladiator® Hosted Network Solutions™** offering.

"I became CEO of FNB, Vinita about 5 years ago. The first vendor meeting I took was with ProfitStars to discuss Business Manager. To this day, it is still the best and most profitable vendor meeting I've ever had. The ProfitStars team was very helpful in the implementation and training, which set the stage for other products like Commercial Lending Center and Healthcare Lending. JHA has allowed this community bank to compete within the ever-changing arena of the financial industry."

H. DEE ROBISON
Chief Executive Officer
First National Bank of Vinita **|** *Vinita, Oklahoma*

"I believe in what Banno is building. We have an opportunity to make digital banking personal and that excites me. It's a huge challenge, but the journey is fun. I'm helping build products that I want to use and when you work on something that you're excited to tell all your friends about, well, that's the sweet spot. It's addicting."

BRYAN McCARTY
JHA Associate
Technical Product Manager, Senior **|** *Minneapolis, Minnesota*

[Core] WE ARE PASSIONATE ABOUT DELIVERING COMPETITIVE, INTEGRATED CORE PLATFORMS

Core processing was JHA's primary focus when our company was founded in 1976, and today we remain passionate about ensuring our core platforms evolve for the modern banker. We know that a financial institution's core becomes the nucleus of an anytime, anywhere, constantly changing infrastructure; flexibility, scalability, and integration are vital. Our core platforms continue to be industry-leading, illustrated by the fact that we win a significant amount of core takeaways from our competitors each year. In fiscal year 2017, we secured 48 new core footprints.

"The rate of core replacements will remain consistent over the next few years as banks and credit unions seek technology that enables them to perform against the pressures of competitors, consumers as well as regulators. In response, their appetite for hosted, open solutions will continue growing. Jack Henry & Associates' core banking strategy is aligned with these trends."

CHRISTINE BARRY
Research Director
Aite Group

CORE HEADLINES IN FISCAL YEAR *2017*

JULY 2016
We refreshed our SilverLake System® core platform, which offered many updates and enhancements to the already dynamic core including real-time processing, enhanced customization capabilities, and impressive updates to the visuals and mobility of the branch experience.

AUGUST 2016
Aite Group recognized JHA for two awards in the firm's July 2016 report, *Leading U.S. Core Banking Vendors: Entering the Era of Plug-and-Play Banking.*

AUGUST 2016
SilverLake System was acknowledged by Celent with two XCelent Awards in the *Core Banking Systems for Midsize Banks: North American Version*, 2016 report.

APRIL 2017
We announced that our Symitar® brand broke a company record when it forged six new billion-dollar Episys® credit union core relationships in one fiscal year.

MAY 2017
SilverLake System was recognized as the leader of new core system footprints for calendar year 2016 by the IBS Intelligence Sales League Table 2017. SilverLake System led the United States in completed contracts for sales to new core customers on a single platform, with 22 for the year.

IN-TO-OUT STRATEGY

Core
Cr
We deliver competitive core platforms.

19
in-house banking customers

33
in-house credit union customers

MORE AND MORE FINANCIAL INSTITUTIONS ARE DISCOVERING THE BENEFITS OF THE OUTSOURCED DELIVERY MODEL. DURING THE LAST FISCAL YEAR, **19 OF OUR IN-HOUSE BANKING CUSTOMERS** AND **33 OF OUR IN-HOUSE CREDIT UNION CUSTOMERS** MADE THE SWITCH TO OUTSOURCING.

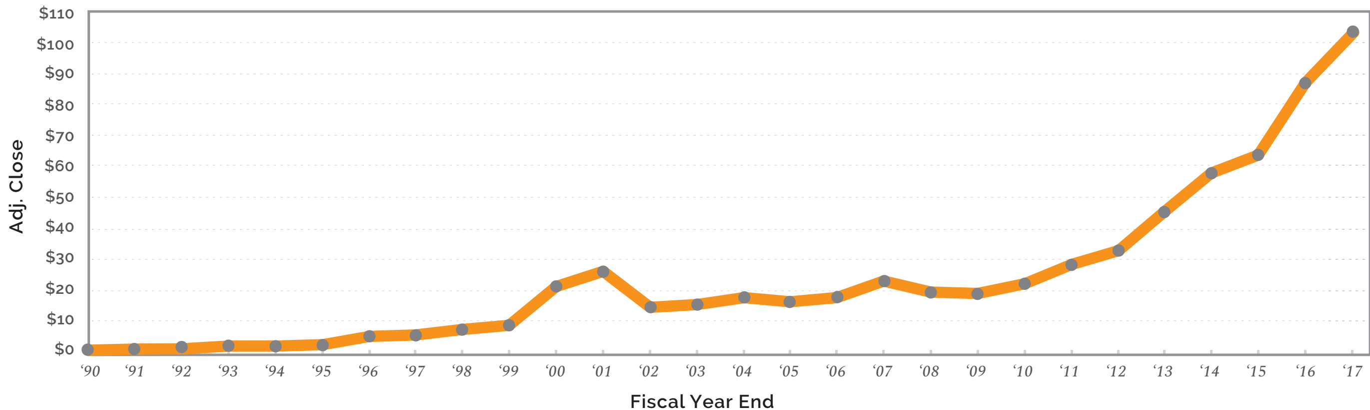
[Value] WE CONSISTENTLY DELIVER REMARKABLE SHAREHOLDER VALUE

Since 1990, the number of financial institutions in the United States has decreased by approximately 60% due to many events such as the Resolution Trust Corporation (RTC) takeovers in the early 90s, the bank failures during the 2008 financial crisis, and the course of normal merger and acquisition activity in the industry. However, through a combination of organic growth and strategic acquisitions, JHA has steadily maintained a compound annual revenue growth of 18% during that same time period, offering consistent returns to our shareholders year-over-year – something quite remarkable in our industry.

JHA leadership rings the NASDAQ opening bell on November 30, 2016.

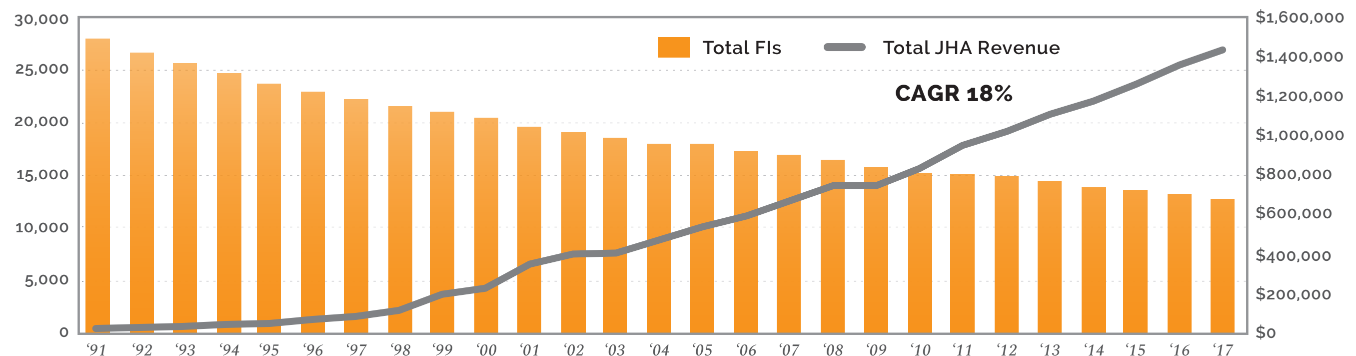
FISCAL YEAR-END STOCK PRICE

Price adjusted for stock splits



GROWTH IN A CONSOLIDATING INDUSTRY

Revenue in thousands



[Co-opetition]

WE EMBRACE CO-OPETITION FOR THE BETTERMENT OF OUR INDUSTRY

A blend of cooperation and competition, co-opetition means that JHA teams up with other companies that might otherwise be our competitors to create new business solutions for our customers. Sometimes it simply makes good sense to work alongside other companies to enhance our offerings, rather than building technology from the ground up on our own.

These competitive, yet mutually beneficial, relationships are golden opportunities that ultimately translate to better service and a wider technology footprint for our customers. They allow our customers to improve speed-to-market with competitive solutions, run their businesses better, keep up with consumer demands, and oftentimes save money in the process.

Executive Chairman of the Board, Jack Prim, and Symitar President, Ted Bilke, with MDT President and CEO Larry Nichols.

Co-opetition

Co

We embrace "co-opetition" for the betterment of our industry.

BENEFITS OF CO-OPETITION

Improve speed-to-market

Improve operational efficiencies

Keep up with consumer demands

Save money

"Jack Henry & Associates, its Symitar division, and Member Driven Technologies all share the same passion for offering continuously evolving and innovative products and excellent client service. This passion has never wavered, from the time MDT was founded in 2003 by seven credit unions, to the more than 110 credit unions we serve today. Our strong partnership is a testament to our like-minded vision and goals. It is exciting to see industry experts from all three of our organizations jointly roll up their sleeves and deliver on all of our initiatives. Because we share the passion, we also share the successes we achieve."

LARRY NICHOLS

President and Chief Executive Officer

Member Driven Technologies

[Singular] WE STRIVE TO BE SINGULAR IN THE EYES OF THE CUSTOMER

To provide the best possible service, we believe that all customers should receive a consistent experience across all JHA departments, regardless of which division or brand serves them or how they choose to interact with us.

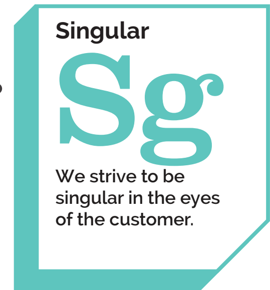
We are devoted to training our Associates to put themselves in the customer's shoes and be cognizant of exceptional service behaviors. It's the little things that truly make a difference – like transferring a call only one time, staying with customers through service events, following up on issues, acting as their intermediary, and displaying a passion for providing exemplary service.

Even though we have more than 9,000 customers, over 6,000 employees, three distinct brands, and more than 300 products and services, we are committed to breaking down silos within our company so the only thing visible to our customers is a seamless and enjoyable service experience.

"JHA provides exceptional customer service. Their callbacks are timely, representatives are courteous and well prepared for the call, they take ownership of the process, thoroughly document the case, and take appropriate and immediate steps to promptly resolve problems. We very much like the option to open cases telephonically or online through the *For Clients* site."

PAMELA L. WENDEL
Senior Vice President and Chief Operations Manager
Pacific National Bank* | *Miami, Florida

THE JHA BRAND



jack henry Banking

- Community and Multi-Billion Dollar Banks
- Core Processing Systems
- Integrated Complementary Products
- In-House or Outsourced Services

Symitar

- Credit Unions of All Sizes
- Core Processing Systems
- Integrated Complementary Products
- In-House or Outsourced Services

ProfitStars

- Financial Institutions of All Sizes
- Corporate Entities and Strategic Partnerships
- Core Processor Agnostic
- Best-of-Breed Niche Solutions

[Fun] WE KNOW HOW TO HAVE FUN

Having fun is a tenet in our foundational philosophy and a prevalent part of our everyday culture.

One of the largest, most fun events held at JHA each year is the Annual Jack and Jerry Memorial Charity Golf Classic which occurs each June. This event began in the 1980s as a way to bring Associates together to enjoy each other's company while raising money for charitable organizations. Over the years, JHA has raised more than $450,000 for a variety of causes including Folds of Honor and Angels for Children.

We strive to keep fun top-of-mind for our Associates throughout the year with the help of our internal *FUNdamentals* team whose sole purpose is to dream up new events and contests. In fiscal year 2017, the team sponsored numerous events including a Take Me Out to the Ballgame challenge which encouraged Associates to attend local baseball games, a March Madness contest during the NCAA tournament, and Office Olympics activities.

And who says you can't have fun while helping a good cause? Our Community Stewardship Initiative (CSI) committees located in offices across the country sponsor events that raise awareness and money for charity while giving Associates the opportunity to have fun along the way. From serving local needs at convalescent homes and homeless shelters, to helping larger national charities such as United Way and Toys for Tots, JHA Associates are passionate about building relationships while giving back to their communities.

HAVING FUN AND GIVING BACK

Fun

Fn

We know how to have fun.

The Charlotte, North Carolina office makes a not-so-fashionable (but fun!) statement on Ugly Sweater/Ugly Pajama Day in December 2016.

The Annual Jack & Jerry Memorial Charity Golf Classic is a yearly opportunity for Associates to gather on the green in Monett, Missouri to have fun while supporting a variety of charitable causes.

Our toy drive in San Diego, California collected 1,136 toys in December 2016. Pictured here is JHA Associate Pete Major shaking hands with a United States Marine who collected 13 full boxes and delivered them to Toys for Tots.

[2017]

FINANCIALS

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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 following table sets forth, for the periods indicated, the high and low sales price per share of the common stock as reported by NASDAQ.

	Fiscal 2017		Fiscal 2016	
	High	**Low**	High	Low
Fourth Quarter	**$ 106.46**	**$ 91.50**	$ 87.27	$ 80.44
Third Quarter	**95.64**	**88.11**	86.23	73.19
Second Quarter	**91.06**	**79.00**	79.92	68.31
First Quarter	**89.89**	**85.00**	71.75	63.84

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. Quarterly dividends per share paid on the common stock for the two most recent fiscal years ended 2017 and 2016 are as follows:

	Fiscal 2017	Fiscal 2016
Fourth Quarter	**$ 0.310**	$ 0.280
Third Quarter	**0.310**	0.280
Second Quarter	**0.280**	0.250
First Quarter	**0.280**	0.250

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 16, 2017, there were approximately 94,800 holders of the Company's common stock, including individual participants in security position listings. On that same date the last sale price of the common shares as reported on NASDAQ was $101.59 per share.

Issuer Purchases of Equity Securities

The following shares of the Company were repurchased during the quarter ended June 30, 2017:

	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, 2017	—	$ —	—	4,580,404
May 1- May 31, 2017	—	$ —	—	4,580,404
June 1- June 30, 2017	250,345	$ 105.02	250,000	4,330,404
Total	**250,345**	**$ 105.02**	**250,000**	**4,330,404**

[1] 250,000 shares were purchased through a publicly announced repurchase plan. There were 345 shares surrendered to the Company to satisfy tax withholding obligations in connection with employee restricted stock awards.

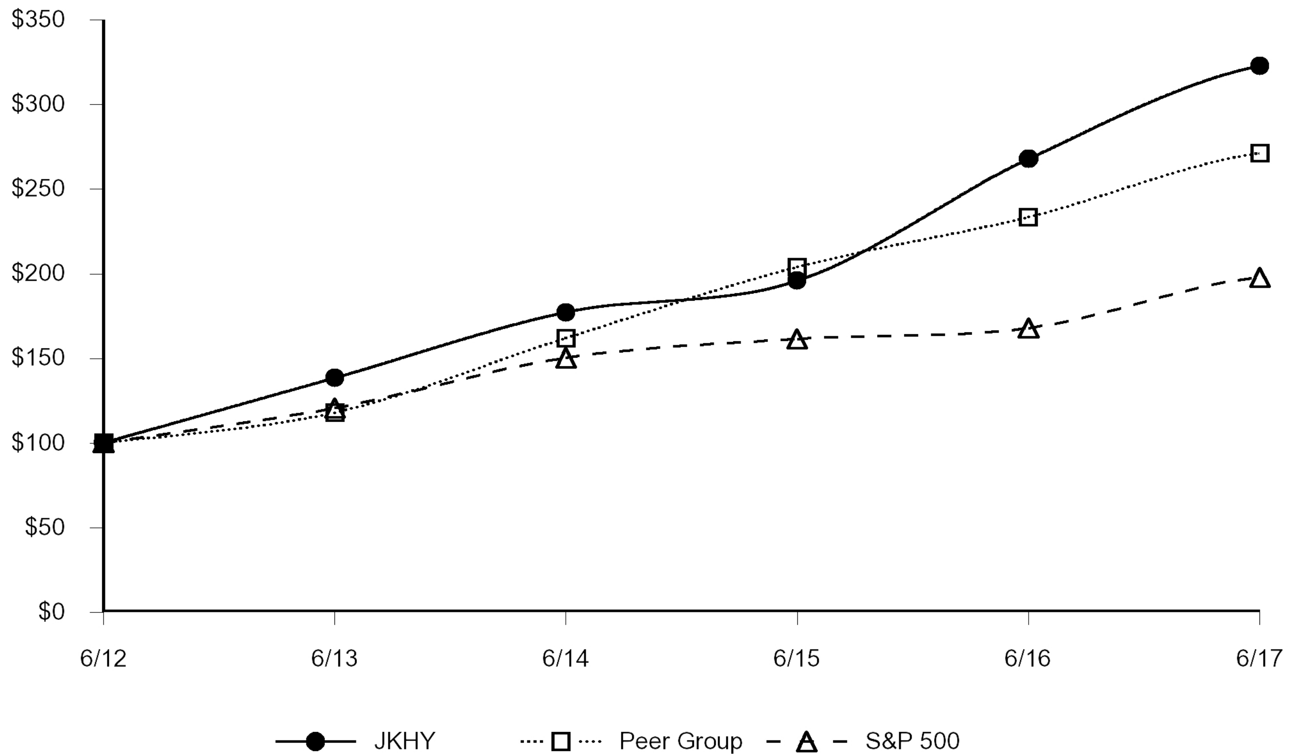
[2] Total stock repurchase authorizations approved by the Company's Board of Directors as of February 17, 2015 were for 30.0 million shares. These authorizations have no specific dollar or share price targets and no expiration dates.

PERFORMANCE GRAPH

The following chart presents a comparison for the five-year period ended June 30, 2017, of the market performance of the Company's common stock with the S&P 500 Index and an index of peer companies selected by the Company:

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:

	2012	2013	2014	2015	2016	2017
JKHY	100.00	138.34	177.10	195.72	267.64	322.60
Peer Group	100.00	117.87	161.90	203.87	233.39	271.10
S&P 500	100.00	120.60	150.27	161.43	167.87	197.92

This comparison assumes $100 was invested on June 30, 2012, 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 Peer Group are ACI Worldwide, Inc.; Bottomline Technology, Inc.; Broadridge Financial Solutions; Cardtronics, Inc.; Convergys Corp.; Corelogic, Inc.; DST Systems, Inc.; Euronet Worldwide, Inc.; Fair Isaac Corp.; Fidelity National Information Services, Inc.; Fiserv, Inc.; Global Payments, Inc.; Moneygram International, Inc.; SS&C Technologies Holdings, Inc.; Total Systems Services, Inc.; Tyler Technologies, Inc.; Verifone Systems, Inc.; and WEX, Inc..

SELECTED FINANCIAL DATA

Selected Financial Data
(In Thousands, Except Per Share Data)

	YEAR ENDED JUNE 30,				
Income Statement Data	**2017**	2016	2015	2014	2013
Revenue [1]	**$ 1,431,117**	$ 1,354,646	$ 1,256,190	$ 1,173,173	$ 1,107,524
Net Income	**$ 245,793**	$ 248,867	$ 211,221	$ 186,715	$ 167,610
Basic earnings per share	**$ 3.16**	$ 3.13	$ 2.60	$ 2.20	$ 1.95
Diluted earnings per share	**$ 3.14**	$ 3.12	$ 2.59	$ 2.19	$ 1.94
Dividends declared per share	**$ 1.18**	$ 1.06	$ 0.94	$ 0.84	$ 0.56
Balance Sheet Data					
Total deferred revenue	**$ 511,384**	$ 521,054	$ 531,987	$ 492,868	$ 439,596
Total assets	**$ 1,908,945**	$ 1,815,512	$ 1,836,835	$ 1,680,703	$ 1,672,386
Long-term debt	**$ 50,000**	$ —	$ 50,102	$ 3,729	$ 7,366
Stockholders' equity	**$ 1,032,051**	$ 996,210	$ 991,534	$ 967,387	$ 1,015,816

[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 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.

OVERVIEW

Jack Henry & Associates, Inc. (JHA) is headquartered in Monett, Missouri, employs nearly 6,100 associates nationwide, and is a leading provider of technology solutions and payment processing services primarily for financial services organizations. Its solutions serve over 9,000 customers and are marketed and supported through three primary brands. Jack Henry Banking® supports banks ranging from community banks to multi-billion dollar institutions with assets up to $50 billion, with information and transaction processing solutions. 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, outsourced, or hosted delivery.

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 business brands. We provide compatible computer hardware for our in-house installations and secure processing environments for our outsourced and hosted solutions. 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.

A significant proportion of our revenue is derived from recurring outsourcing fees and electronic payment transaction processing fees that predominantly have contract terms of five years or greater at inception. Support and service fees also include in-house maintenance fees which primarily contain annual contract terms, implementation services revenue, and bundled services revenue, which is a combination of license, implementation, and maintenance revenue from our revenue arrangements. Less predictable software license fees and hardware sales complement our primary revenue sources. We continually seek opportunities to increase revenue while at the same time containing costs to expand margins.

During the last five fiscal years, our revenues have grown from $1,107,524 in fiscal 2013 to $1,431,117 in fiscal 2017. Net income has grown from $167,610 in fiscal 2013 to $245,793 in fiscal 2017. This growth has resulted primarily from internal expansion.

We have two reportable segments: bank systems and services and credit union systems and services. The respective segments include all related license, support and service, and hardware sales along with the related cost of sales.

We continue to focus on our objective of providing the best integrated solutions, products and customer service to our clients. We are cautiously optimistic regarding ongoing economic improvement and expect our clients to continue investing in our products and services to improve their operating efficiencies and performance. We anticipate that consolidation within the financial services industry will continue. Regulatory conditions and legislation will continue to impact financial institutions' discretionary spending.

A detailed discussion of the major components of the results of operations follows. All dollar and share amounts are in thousands and discussions compare fiscal 2017 to fiscal 2016 and compare fiscal 2016 to fiscal 2015.

RESULTS OF OPERATIONS

FISCAL 2017 COMPARED TO FISCAL 2016

In fiscal 2017, revenues increased 6% or $76,471 compared to fiscal 2016, with strong growth continuing in our support and service revenues, particularly our outsourcing services, electronic payment services, and bundled services. Cost of sales increased 6%, in line with revenue, and gross profit increased 5%. The company continues to focus on cost management.

Net operating expenses increased 11% year over year, due mainly to the gain on the sale of our Alogent business ("Alogent") to Antelope Acquisition Co., an affiliate of Battery Ventures, in the prior year, which is discussed below in the operating expenses section. Provision for income taxes increased 9% compared to the prior year, due a lower prior year effective tax rate, which is described in the following discussion. The above changes resulted in a 1% decrease in net income for fiscal 2017.

We move into fiscal 2018 following a strong performance in fiscal 2017. Significant portions of our business continue to provide recurring revenue and our healthy 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. 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, 2017 follows. All dollar amounts are in thousands and discussions compare the current fiscal year ended June 30, 2017 to the prior fiscal year ended June 30, 2016.

REVENUE

License Revenue	Year Ended June 30,		% Change
	2017	2016	
License	**$ 2,385**	$ 3,041	**(22)%**
Percentage of total revenue	**<1%**	<1%	

License revenue represents the sale and delivery of application software systems contracted with us by the customer, which are not part of a bundled arrangement. We license our proprietary software products under standard license agreements that typically provide the customer with a non-exclusive, non-transferable right to use the software on a single computer and for a single financial institution.

Non-bundled license revenue decreased due mainly to a reduction in standalone license sales in our Bank segment, with Alogent headwinds accounting for $570 of that decrease. Excluding the Alogent headwind, license revenue decreased 3%. Such license fees will fluctuate as non-bundled license sales are sporadic in nature.

Support and Service Revenue	Year Ended June 30,		% Change
	2017	2016	
Support and service	**$ 1,384,338**	$ 1,300,978	**6 %**
Percentage of total revenue	**97%**	96%	

	Year over Year	
	$ Change	% Change
In-House Support & Other Services	$ 2,790	1%
Electronic Payment Services	26,930	5%
Outsourcing Services	39,822	13%
Implementation Services	(8,837)	(14)%
Bundled Products & Services	22,655	24%
Total Increase	**$ 83,360**	

Support and service revenues are generated from supporting our in-house customers in operating their systems and to enhance and update the software, electronic payment services, outsourced data processing services, implementation services (including conversion, installation, configuration and training) and revenue from our bundled software multi-element agreements. There was growth in most support and service revenue components in fiscal 2017, despite Alogent revenue of $27,673 included in the prior year. Excluding that headwind, support and services grew 9%.

In-house support and other services revenue increased despite headwinds of $13,062 created from the Alogent sale. Excluding the Alogent headwind, in-house support and other services revenue increased 5%. The increase was due mainly to increased revenue from work orders and from customers consulting with our Client Services Consulting group. The group's operational assessments help banks and credit unions maximize their operating efficiency and productivity, identify new revenue and market opportunities, and reduce costs.

Electronic payment services continued to show growth over the prior year. The revenue increases are mainly attributable to strong performance across debit/credit card risk management and transaction processing services, remote capture and ACH processing, and online bill payment services. Deconversion fees (fees charged when customer agreements are terminated prior to the end of their contracted term) for electronic payment services decreased $2,901 compared to the prior year. Excluding these fees from both years, electronic payment services revenue increased 6%.

Outsourcing services for banks and credit unions continue to drive revenue growth as customers continue to show a preference for outsourced delivery of our solutions. Revenues from outsourcing services are typically earned under multi-year service contracts and therefore provide a long-term stream of recurring revenues. We expect the trend towards outsourced product delivery to benefit outsourcing services revenue for the foreseeable future. The increase in outsourcing revenue was mainly due to data processing. Deconversion fees within outsourcing services increased $4,736. Excluding these fees from both years, outsourcing services revenue increased 12%.

Implementation services include implementation services for our electronic payment services customers as well as standalone customization services, merger conversion services, image conversion services and network monitoring services. Implementation services revenue decreased due partly to Alogent headwinds of $4,465, with the remainder of the decrease due mainly to a decline in stand-alone implementations in the Bank segment. Revenue from these standalone services has decreased as implementation services related to our bundled arrangements have increased.

Bundled products and services revenue is combined revenue from the multiple elements in our bundled arrangements, including license, implementation services and maintenance, which cannot be recognized separately due to a lack of vendor-specific objective evidence of fair value. Bundled products and services revenue increased, despite $10,145 of Alogent headwinds, mostly due to terminations of pending products and services on certain contracts that have allowed for the release of revenue that was being deferred until contract completion in both our Bank and Credit Union core and complementary arrangements, as well as increased revenue being released due to completion of final installations and services on our Bank multiple element arrangements.

Hardware Revenue	Year Ended June 30,		% Change
	2017	2016	
Hardware	**$ 44,394**	$ 50,627	**(12)%**
Percentage of total revenue	**3%**	4%	

The Company has entered into re-marketing agreements with several hardware manufacturers and suppliers under which we sell computer hardware, hardware maintenance and related services to our customers. Revenue related to hardware sales is recognized when the hardware is shipped to our customers.

Hardware revenue decreased due to decreases in revenue from power systems, servers, and other complementary hardware products delivered. Although there will be quarterly fluctuations, we expect an overall decreasing trend in hardware sales to continue due to the change in sales mix towards outsourcing contracts, which typically do not include hardware, and the general deflationary trend of computer prices.

COST OF SALES AND GROSS PROFIT

Cost of license represented the cost of software from third-party vendors associated with non-bundled application software licenses. These costs were recognized when license revenue was recognized.

Cost of support and service represented costs associated with conversion and implementation efforts, ongoing support for our customers, operation of our data and item centers providing services for our outsourced customers, electronic payment services and direct operating costs. These costs were recognized as they were incurred or, for direct costs associated with obtaining and implementing our bundled arrangements, they were deferred and recognized ratably as the related revenues for these arrangements are recognized, typically beginning when Post Contract Support ("PCS") is the only remaining undelivered element, and ending at the end of the initial bundled PCS term.

Cost of hardware consisted of the direct and indirect costs of purchasing the equipment from the manufacturers and delivery to our customers. These costs were recognized at the same time as the related hardware revenue was recognized. Ongoing operating costs to provide support to our customers were recognized as they were incurred.

	Year Ended June 30,		% Change
	2017	2016	
Cost of License	**$ 730**	$ 1,197	**(39)%**
Percentage of total revenue	**<1%**	<1%	
License Gross Profit	**$ 1,655**	$ 1,844	**(10)%**
Gross Profit Margin	**69%**	61%	
Cost of support and service	**$ 786,143**	$ 737,108	**7%**
Percentage of total revenue	**55%**	54%	
Support and Service Gross Profit	**$ 598,195**	$ 563,870	**6%**
Gross Profit Margin	**43%**	43%	
Cost of hardware	**$ 32,161**	$ 35,346	**(9)%**
Percentage of total revenue	**2%**	3%	
Hardware Gross Profit	**$ 12,233**	$ 15,281	**(20)%**
Gross Profit Margin	**28%**	30%	
TOTAL COST OF SALES	**$ 819,034**	$ 773,651	**6%**
Percentage of total revenue	**57%**	57%	
TOTAL GROSS PROFIT	**$ 612,083**	$ 580,995	**5%**
Gross Profit Margin	**43%**	43%	

Cost of license consists of the direct costs of third-party software that are a part of a non-bundled arrangement. Sales of these third-party software products decreased compared to the last year. Shifts in sales mix between the products that make up these costs cause fluctuations in the margins from period to period.

Cost of support and service for fiscal 2016 includes $12,332 related to Alogent sales. Excluding those costs, our cost of support and service increased 8%. Gross profit margins in support and service remained consistent with the prior year.

In general, changes in cost of hardware trend consistently with hardware revenue. For the current period, margins were lower due to decreased sales of higher margin hardware upgrade products compared to the prior year.

OPERATING EXPENSES

Selling and Marketing

	Year Ended June 30,		% Change
	2017	2016	
Selling and marketing	**$ 93,297**	$ 90,079	**4%**
Percentage of total revenue	**7%**	7%	

Dedicated sales forces, inside sales teams, technical sales support teams and channel partners conduct our sales efforts for our two reportable segments, and are overseen by regional and national sales managers. Our sales executives are responsible for pursuing lead generation activities for new core customers. Our account executives nurture long-term relationships with our client base and cross sell our many complementary products and services.

Selling and marketing expenses increased compared to fiscal 2016 due mainly to increased commission expense, but remained a consistent percentage of total revenue in both periods.

Research and Development

	Year Ended June 30,		% Change
	2017	2016	
Research and development	**$ 84,753**	$ 81,234	**4%**
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 increased primarily due to a 4% increase in headcount, but were consistent with the prior year as a percentage of total revenue.

General and Administrative	Year Ended June 30,		% Change
	2017	2016	
General and administrative	**$ 69,601**	$ 67,514	**3%**
Percentage of total revenue	**5%**	5%	

General and administrative costs included all expenses related to finance, legal, and human resources, plus all administrative costs. These expenses increased primarily due to a 4% increase in headcount, but were a consistent percentage of revenue in each year.

Gains on Disposal of Businesses

In fiscal 2017, we recognized gains on the disposals of businesses totaling $3,270. $2,136 was related to last year's sale of Alogent, and $1,134 related to the sale of our Regulatory Filing products to Fed Reporter on May 1, 2017. In fiscal 2016, we had a gain totaling $19,491, due to the sale of Alogent.

INTEREST INCOME AND EXPENSE	Year Ended June 30,		% Change
	2017	2016	
Interest Income	**$ 248**	$ 307	**(19)%**
Interest Expense	**$ (996)**	$ (1,430)	**(30)%**

Interest income fluctuated due to changes in invested balances and yields on invested balances. Interest expense remained low for both the current and prior years, in line with our average debt balances in both years.

PROVISION FOR INCOME TAXES	Year Ended June 30,		% Change
	2017	2016	
Provision For Income Taxes	**$ 121,161**	$ 111,669	**9%**
Effective Rate	**33.0%**	**31.0%**	

The increase in the effective tax rate was primarily due the prior year's rate being reduced by the tax basis in excess of book basis in Alogent stock at disposal.

NET INCOME

Net income decreased 1% to $245,793, or $3.14 per diluted share, in fiscal 2017 from $248,867, or $3.12 per diluted share, in fiscal 2016. This decrease was due to factors discussed above, including the prior year Alogent gain and lower effective tax rate in fiscal 2016.

FISCAL 2016 COMPARED TO FISCAL 2015

In fiscal 2016, revenues increased 8% or $98,456 compared to fiscal 2015 due primarily to strong growth in our support and service revenues, particularly outsourcing services, bundled services, and electronic payment services. Cost of sales increased just 7%, contributing to an 8% increase in gross profit.

Net operating expenses increased 1% and the provision for income taxes increased 6% compared to fiscal 2015. The increased revenue and above changes resulted in a combined 18% increase in net income for fiscal 2016 compared to the prior fiscal year.

REVENUE

License Revenue	Year Ended June 30,		% Change
	2016	2015	
License	**$ 3,041**	$ 2,635	**15%**
Percentage of total revenue	**<1%**	<1%	

License revenue represents the sale and delivery of application software systems contracted with us by the customer, which are not part of a bundled arrangement. We license our proprietary software products under standard license agreements that typically provide the customer with a non-exclusive, non-transferable right to use the software on a single computer and for a single financial institution.

Non-bundled license revenue increased due mainly to an increase in standalone license sales in our Bank segment. Such license fees will fluctuate as non-bundled license sales are sporadic in nature.

Support and Service Revenue	Year Ended June 30,		% Change
	2016	2015	
Support and service	**$ 1,300,978**	$ 1,200,652	**8%**
Percentage of total revenue	**96%**	96%	

	Year over Year Change	
	$ Change	% Change
In-House Support & Other Services	$ 17,846	6%
Electronic Payment Services	28,325	6%
Outsourcing Services	33,941	13%
Implementation Services	(11,289)	(15)%
Bundled Products & Services	31,503	50%
Total Increase	**$ 100,326**	

Support and service revenues are generated from supporting our customers in operating their systems and to enhance and update the software, electronic payment services, outsourced data processing services, implementation service (including conversion, installation, configuration and training) and revenue from our bundled software multi-element agreements. There was growth in most support and service revenue components in fiscal 2016.

In-house support and other services revenue increased due to annual maintenance renewal fee increases for both core and complementary products as our customers' assets grow and new customers began renewing their annual maintenance. Increased software usage revenue from Alogent mobile remote deposits also contributed to the increase.

Electronic payment services continued to show growth over the prior year, although that growth slowed due to some of our large customers being acquired and price compression on contract renewals in our card services offerings. The revenue increases are mainly attributable to strong performance across debit/credit card transaction processing services, online bill payment services and ACH processing. Deconversion revenue for electronic payment services increased $9,616 over the prior year. Excluding these fees, we had a 4% increase in electronic payment services revenue.

Outsourcing services for banks and credit unions continue to drive revenue growth as customers continue to show a preference for outsourced delivery of our solutions. Revenues from outsourcing services are typically earned under multi-year service contracts and therefore provide a long-term stream of recurring revenues. We expect the trend towards outsourced product delivery to benefit outsourcing services revenue for the foreseeable future.

Implementation services include implementation services for our electronic payment services customers as well as standalone customization services, merger conversion services, image conversion services and network monitoring services. Implementation services revenue decreased due to a decrease in stand-alone implementations in the Bank segment. Revenue from these standalone services has decreased as implementation services related to our bundled arrangements have increased.

Bundled products and services revenue is combined revenue from the multiple elements in our bundled arrangements, including license, implementation services and maintenance, which cannot be recognized separately due to a lack of vendor-specific objective evidence of fair value. Bundled products and services revenue increased over last year mainly due to increased revenues from our core and complementary credit union arrangements. $26,567 of the increase was due to terminations of minor pending products and services on certain contracts that have allowed for the release of revenue that was being deferred until contract completion in both our Credit Union and Bank core and complementary arrangements.

Hardware Revenue	Year Ended June 30,		% Change
	2016	2015	
Hardware	**$ 50,627**	$ 52,903	**(4)%**
Percentage of total revenue	**4%**	4%	

The Company has entered into remarketing agreements with several hardware manufacturers under which we sell computer hardware, hardware maintenance and related services to our customers. Revenue related to hardware sales is recognized when the hardware is shipped to our customers.

Hardware revenue decreased due to a decrease in complementary hardware products delivered. Although there will be quarterly fluctuations, we expect an overall decreasing trend in hardware sales to continue due to the change in sales mix towards outsourcing contracts, which typically do not include hardware, and the general deflationary trend of computer prices.

COST OF SALES AND GROSS PROFIT

Cost of license represented the cost of software from third-party vendors through remarketing agreements associated with non-bundled application software licenses. These costs were recognized when license revenue was recognized.

Cost of support and service represented costs associated with conversion and implementation efforts, ongoing support for our customers, operation of our data and item centers providing services for our outsourced customers, electronic payment services and direct operating costs. These costs were recognized as they were incurred or, for direct costs associated with obtaining and implementing our bundled arrangements, they are deferred and recognized ratably as the related revenues for these arrangements are recognized, typically beginning when PCS is the only remaining undelivered element, and ending at the end of the initial bundled PCS term.

Cost of hardware consisted of the direct and indirect costs of purchasing the equipment from the manufacturers and delivery to our customers. These costs were recognized at the same time as the related hardware revenue was recognized. Ongoing operating costs to provide support to our customers were recognized as they were incurred.

	Year Ended June 30,		% Change
	2016	2015	
Cost of License	**$ 1,197**	$ 1,187	**1%**
Percentage of total revenue	**<1%**	<1%	
License Gross Profit	**$ 1,844**	$ 1,448	**27%**
Gross Profit Margin	**61%**	55%	
Cost of support and service	**$ 737,108**	$ 680,750	**8%**
Percentage of total revenue	**54%**	54%	
Support and Service Gross Profit	**$ 563,870**	$ 519,902	**8%**
Gross Profit Margin	**43%**	43%	
Cost of hardware	**$ 35,346**	$ 38,399	**(8)%**
Percentage of total revenue	**3%**	3%	
Hardware Gross Profit	**$ 15,281**	$ 14,504	**5%**
Gross Profit Margin	**30%**	27%	
TOTAL COST OF SALES	**$ 773,651**	$ 720,336	**7%**
Percentage of total revenue	**57%**	57%	
TOTAL GROSS PROFIT	**$ 580,995**	$ 535,854	**8%**
Gross Profit Margin	**43%**	43%	

Cost of license consisted of the direct costs of third-party software that was part of a non-bundled arrangement. Sales of these third-party software products increased slightly in fiscal 2016 compared to fiscal 2015. Shifts in sales mix between the products that make up these costs cause fluctuations in the margins from period to period.

Gross profit margins in support and service remained consistent with the prior year.

In general, changes in cost of hardware trended consistently with hardware revenue. For fiscal year 2016, margins were slightly higher due to increased sales of higher margin hardware upgrade products than in the prior year.

OPERATING EXPENSES

Selling and Marketing	Year Ended June 30,		% Change
	2016	2015	
Selling and marketing	**$ 90,079**	$ 89,004	**1%**
Percentage of total revenue	**7%**	7%	

Dedicated sales forces, inside sales teams, technical sales support teams and channel partners conducted our sales efforts for our two reportable segments, and were overseen by regional and national sales managers. Our sales executives were responsible for pursuing lead generation activities for new core customers. Our account executives nurtured long-term relationships with our client base and cross sold our many complementary products and services.

Selling and marketing expenses for fiscal 2016 increased slightly compared to fiscal 2015 due to increased salary expense, but remained a consistent percentage of total revenue in both periods.

Research and Development	Year Ended June 30,		% Change
	2016	2015	
Research and development	**$ 81,234**	$ 71,495	**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.

Research and development expenses increased in fiscal 2016 over the prior fiscal year, primarily due to increased headcount and related personnel costs, but were consistent with the prior year as a percentage of total revenue.

General and Administrative	Year Ended June 30,		% Change
	2016	2015	
General and administrative	**$ 67,514**	$ 64,364	**5%**
Percentage of total revenue	**5%**	5%	

General and administrative costs included all expenses related to finance, legal, human resources, plus all administrative costs. These costs increased in fiscal 2016 primarily due to increased headcount and related salaries, but were consistent with the prior year as a percentage of total revenue.

Gain on Disposal of Businesses

In fiscal 2016, we had a gain totaling $19,491 due to the sale of our Alogent business to Antelope Acquisition Co., an affiliate of Battery Ventures. In fiscal 2015, we sold the TeleWeb™ suite of Internet and mobile banking software products to Data Center Inc. (DCI), resulting in a gain of $6,874.

INTEREST INCOME AND EXPENSE	Year Ended June 30,		% Change
	2016	2015	
Interest Income	**$ 307**	$ 169	**82%**
Interest Expense	**$ (1,430)**	$ (1,594)	**(10)%**

Interest income fluctuated due to changes in invested balances and yields on invested balances. Interest expense remained low for both years.

PROVISION FOR INCOME TAXES	Year Ended June 30,		% Change
	2016	2015	
Provision For Income Taxes	**$ 111,669**	$ 105,219	**6%**
Effective Rate	**31.0%**	**33.3%**	

The decrease in the effective tax rate was primarily due a significant difference in the book versus tax basis in Alogent stock, as well as the retroactive permanent extension of the Research and Experimentation Credit ("R&E Credit") to January 1, 2015 during fiscal 2016.

NET INCOME

Net income increased from $211,221, or $2.59 per diluted share, in fiscal 2015 to $248,867, or $3.12 per diluted share, in fiscal 2016. This translates to an increase of 18% in net income.

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 two reportable segments: bank systems and services ("Bank") and credit union systems and services ("Credit Union"). The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenue.

Bank Systems and Services

	2017	% Change	2016	% Change	2015
Revenue	**$ 1,055,763**	6%	$ 996,668	4%	$ 962,729
Gross profit	**$ 429,441**	5%	$ 407,600	2%	$ 400,659
Gross profit margin	**41%**		41%		42%

In fiscal 2017, revenue in the Bank segment increased 6% compared to the prior fiscal year, despite revenue headwinds of $28,422 due to the sale of Alogent. The increase was due to a 7% increase in support and service revenue, partially offset by decreased hardware and stand-alone license sales. The increase in support and service revenue was driven by increases in the outsourcing services, electronic payment services, and bundled products and services revenue streams. Those increases were partly offset by decreased revenue from in-house support and other services and implementation services, due mainly to the Alogent headwinds. Gross profit margin remained consistent with fiscal 2016.

In fiscal 2016, revenue in the Bank segment increased 4% compared to the prior year. The increase was due mainly to a 12% increase in outsourcing services. Gross profit margins decreased only slightly compared to fiscal 2015.

Credit Union Systems and Services

	2017	% Change	2016	% Change	2015
Revenue	**$ 375,354**	5%	$ 357,978	22%	$ 293,461
Gross profit	**$ 182,642**	5%	$ 173,395	28%	$ 135,195
Gross profit margin	**49%**		48%		46%

In fiscal 2017, revenue in the Credit Union segment increased 5% due to increases in support & service revenue totaling 6%, partially offset by decreased hardware and stand-alone license revenue. Support & service revenues grew through increases in bundled services, in-house maintenance renewals and outsourcing services, partly offset by decreased electronic payment services and implementation services revenue. The increase in bundled services was due to an increase in terminations of pending products and service obligations on certain contracts allowing for earlier recognition of revenue on our bundled arrangements. The decrease in electronic payment services revenue was mainly due to decreased deconversion fees and decreased revenue from card manufacturing. Gross profit margin for the Credit Union segment increased 1%.

In fiscal 2016, revenue in the Credit Union segment increased 22% due to increases in support & service revenue. Support & service revenues grew 22% through increases in electronic payment services, in-house maintenance renewals, and bundled services. Gross profit margins for the Credit Union segment increased 2% mainly due to economies of scale realized from growing transaction volume in our payment processing services.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents increased to $114,765 at June 30, 2017 from $70,310 at June 30, 2016. The increase from June 30, 2016 is primarily due to cash generated from operations.

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

	Year Ended June 30,	
	2017	2016
Net income	**$ 245,793**	$ 248,867
Non-cash expenses	**186,626**	161,004
Change in receivables	**(22,499)**	(13,735)
Change in deferred revenue	**(8,800)**	4,364
Change in other assets and liabilities	**(43,798)**	(34,078)
Net cash provided by operating activities	**$ 357,322**	$ 366,422

Cash provided by operating activities decreased 2% compared to fiscal 2016. Cash from operations is primarily used to repay debt, pay dividends, repurchase stock, and for capital expenditures.

Cash used in investing activities for fiscal 2017 totaled $141,586 and included: capital expenditures on facilities and equipment of $41,947, which was mainly for the purchase of computer equipment; $89,631 for the ongoing enhancements and development of existing and new product offerings; and $16,608 for the purchase and development of internal use software. This was partially offset by $5,632 of proceeds from the sale of businesses and $968 of proceeds from the sale of assets. Cash used in investing activities for fiscal 2016 totaled $135,963 and included: capital expenditures on facilities and equipment of $56,325, which mainly included the purchase of computer equipment and aircraft, $96,411 for the development of software, $11,826 for the purchase and development of internal use

software, and $8,275, net of cash acquired, for the acquisition of Bayside Business Solutions. These expenditures were partially offset by $34,030 of proceeds from the sale of our Alogent division and $2,844 of proceeds from the sale of assets.

Financing activities used cash of $171,281 for fiscal 2017. Cash used was $130,140 for the purchase of treasury shares, repayment of the revolving credit facility and capital leases of $30,200, and dividends paid to stockholders of $91,707. This was partially offset by borrowings of $80,000 against our revolving credit facility and $766 net cash inflow from the issuance of stock and tax related to stock-based compensation. Financing activities used cash in fiscal 2016 of $308,462. Cash used was $175,662 for the purchase of treasury shares, repayments of the revolving credit facility and capital leases totaling $152,500, and dividends paid to stockholders of $84,118. This was partially offset by borrowings of $100,000 and $3,818 net cash inflow from the issuance of stock and tax related to stock-based compensation.

Capital Requirements and Resources

The Company generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures totaling $41,947 and $56,325 for the twelve months ending June 30, 2017 and June 30, 2016, 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, 2017, the Company had no material outstanding purchase commitments related to property and equipment.

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, 2017, there were 25,660 shares in treasury stock and the Company had the remaining authority to repurchase up to 4,330 additional shares. The total cost of treasury shares at June 30, 2017 is $1,006,274. During fiscal 2017, the Company repurchased 1,452 treasury shares for $130,140. At June 30, 2016, there were 24,209 shares in treasury stock and the Company had authority to repurchase up to 5,782 additional shares.

Capital leases

The Company had previously entered into various capital lease obligations for the use of certain computer equipment, but has no capital lease obligations at June 30, 2017. At June 30, 2016, the Company had capital lease obligations totaling $200 and property and equipment included assets under capital leases totaling $2,329, with accumulated depreciation totaling $898.

Revolving credit facility

The revolving credit facility allows for borrowings of up to $300,000, which may be increased by the Company at any time until maturity to $600,000. The credit facility bears interest at a variable rate equal to (a) a rate based on LIBOR or (b) an alternate base rate (the highest of (i) the Prime Rate for such day, (ii) the sum of the Federal Funds Effective Rate for such day plus 0.50% and (iii) the Eurocurrency Rate for a one month Interest Period on such day for dollars plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The credit facility is guaranteed by certain subsidiaries of the Company. The credit facility is subject to various financial covenants that require the Company to maintain certain financial ratios as defined in the agreement. As of June 30, 2017, the Company was in compliance with all such covenants. The revolving loan terminates February 20, 2020 and at June 30, 2017 there was a $50,000 outstanding balance.

Other lines of credit

The Company renewed an unsecured bank credit line on April 24, 2017 which provides for funding of up to $5,000 and bears interest at the prime rate less 1%. The credit line was renewed through April 30, 2019. At June 30, 2017, no amount was outstanding.

OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

At June 30, 2017, the Company's total off balance sheet contractual obligations were $633,547. This balance consists of $47,991 of long-term operating leases for various facilities and equipment which expire from 2018 to 2030 and $585,556 of purchase commitments. JHA entered a strategic services agreement 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 expand its card processing platform to financial institutions outside our core customer base. This agreement includes a purchase commitment of $559,354 over the term of the contract. The remainder of the purchase commitments relate to open purchase orders. The contractual obligations table below excludes $6,445 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, 2017	Less than 1 year	1-3 years	3-5 years	More than 5 years	TOTAL
Operating lease obligations	$ 10,945	$ 14,847	$ 7,895	$ 14,304	$ 47,991
Capital lease obligations	—	—	—	—	—
Revolving credit facility, including accrued interest	—	50,048	—	—	50,048
Purchase obligations	26,202	28,518	86,875	443,961	585,556
Total	$ 37,147	$ 93,413	$ 94,770	$ 458,265	$ 683,595

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers in May 2014. This standard is part of an effort to create a common revenue standard for U.S. generally accepted accounting principles (U.S. GAAP) and International Financial Reporting Standards (IFRS). The new standard will supersede much of the existing authoritative literature for revenue recognition. The new model enacts a five-step process for achieving the core principle, which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB also issued ASU No. 2015-14 which deferred the effective date of the new standard by one year, but allows early application as of the original effective date. We do not intend to adopt the provisions of the new standard early, so the standard and related amendments will be effective for the Company for its annual reporting period beginning July 1, 2018, including interim periods within that reporting period. In March 2016, the FASB issued ASU No. 2016-08, which addresses principal versus agent considerations under the new revenue standard. ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-20 also address specific aspects of the new standard. Entities are allowed to transition to the new standard by either recasting prior periods or recognizing the cumulative effect as of the beginning of the period of adoption. The Company is currently evaluating the newly issued guidance, including which transition approach will be applied, and continuing to assess all potential impacts of the standard. We expect the adoption of this standard to have a significant impact on our revenue recognition currently subject to Accounting Standards Codification (ASC) Topic 985. We are currently in the process of implementing and testing new software to assist in applying the five-step model to our various revenue streams and comparing the results to our current accounting practices. One of the most significant expected impacts relates to the recognition of license and implementation revenue on our multi-element arrangements. We expect to recognize license and install revenue at the time of the install completion, rather than over the maintenance period of the software on our multi-element agreements. We expect revenue related to hardware, Outlink contracts, payment processing, and professional services to remain substantially unchanged.

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. ASU No. 2016-02 will be effective for Jack Henry's annual reporting period beginning July 1, 2019 and early adoption is permitted. The Company is currently assessing the impact this new standard will have on our consolidated financial statements.

The FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, in March 2016. The new standard is intended to simplify several aspects of the accounting and presentation of share-based payment transactions, including reporting of excess tax benefits and shortfalls, statutory minimum withholding considerations, and classification within the statement of cash flows. The standard allows a one-time accounting policy election to either account for forfeitures as they occur or continue to estimate them. ASU No. 2016-09 is effective for the Company's annual reporting period beginning July 1, 2017. Management elected to early adopt this standard as of July 1, 2016 and has elected to continue our current practice of estimating forfeitures. The adoption of this standard had the following impacts on our condensed consolidated financial statements.

- Condensed consolidated statements of income- The new standard requires that the tax effects of share-based compensation be recognized in the provision for income taxes. Previously, these amounts were recognized in additional paid-in capital. Net tax benefits related to share-based compensation awards of $2,638 for the year ended June 30, 2017 were recognized as reductions of income tax expense. These tax benefits reduced our effective income tax rate for the year-to-date period by 0.72%, and caused an increase in basic and diluted earnings per share of $0.03 for the year ended June 30, 2017. In addition, in calculating potential common shares used to determine diluted earnings per share, generally accepted accounting principles require us to use the treasury stock method. The new standard requires that assumed proceeds under the treasury stock method be modified to exclude the amount of excess tax benefits that would have been recognized in additional paid-in capital. These changes were applied on a prospective basis.
- Condensed consolidated statements of cash flows- The Company elected to apply the presentation requirements for cash flows related to excess tax benefits retrospectively; however, fiscal 2015 was not restated due to immateriality. The restatement for fiscal 2016 resulted in an increase to both net cash provided by operations and net cash used in financing of $1,306 for the year ended June 30, 2016. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any of the periods presented on our consolidated cash flows statements since such cash flows have historically been presented as a financing activity.

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 recognize revenue net of any applicable discounts in accordance with generally accepted accounting principles and with guidance provided within Staff Accounting Bulletins issued by the Securities and Exchange Commission. The application of these pronouncements requires judgment, including whether a software arrangement includes multiple elements, whether any elements are essential to the functionality of any other elements, and whether vendor-specific objective evidence ("VSOE") of fair value exists for those elements. Customers receive certain elements of our products and services over time. Changes to the elements in a software arrangement or in our ability to identify VSOE for those elements could materially impact the amount of earned and deferred revenue reflected in the financial statements.

License Arrangements: For software license agreements, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery of the product or service has occurred, the fee is fixed or determinable and collection is probable. For arrangements where the fee is not fixed or determinable, revenue is deferred until payments become due. The Company's software license agreements generally include multiple products and services or "elements." Generally, none of these elements are deemed to be essential to the functionality of the other elements.

For multiple element arrangements, which contain software elements and non-software elements, we allocate revenue to the software deliverables as a group and the non-software deliverables as a group based on the relative selling prices of all of the deliverables in the arrangement. For our non-software deliverables, we allocate the arrangement consideration based on the relative selling price of the deliverables using estimated selling price ("ESP"). For our software elements, we use VSOE for this allocation when it can be established and ESP when VSOE cannot be established.

The selling price for each element is based upon the following selling price hierarchy: VSOE if available, third-party evidence ("TPE") if VSOE is not available, or ESP if neither VSOE or TPE are available. Generally, we are not able to determine TPE because our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. ESP is determined after considering both market conditions (such as the sale of similar products in the market place) and entity-specific factors (such as pricing practices and the specifics of each transaction).

For our non-software deliverables, a delivered item is accounted for as a separate unit of accounting if the delivered item has standalone value and if the customer has a general right of return relative to the delivered item, delivery or performance of the undelivered item is probable and substantially within our control.

For our software licenses and related services, including the software elements of multiple-element software and non-software arrangements, U.S. GAAP generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on VSOE of fair value. VSOE of fair value is determined for implementation services based on a rate per hour for stand-alone professional services and the estimated hours for the bundled implementation, if the hours can be reasonably estimated. VSOE of fair value is determined for post-contract support ("PCS") based upon the price charged when sold separately. For a majority of the elements within our software arrangements, we have determined that VSOE cannot be established; therefore, revenue on our software arrangements is generally deferred until the only remaining element is PCS. At that point, the entire arrangement fee is recognized ratably over the remaining PCS period, assuming that all other criteria for revenue recognition have been met. The amounts deferred are included in the balance sheet as deferred revenue and recognized as Bundled Products & Services revenue within Support & Service revenue in the consolidated statements of income.

For arrangements that include specified upgrades, such upgrades are accounted for as a separate element of the arrangement. For those specified upgrades for which VSOE of fair value cannot be determined, revenue related to the software elements within the arrangement is deferred until such specified upgrades have been delivered.

Support and Service Fee Revenue (Non-software): Maintenance support revenue contracted for outside of a license arrangement is recognized pro-rata over the contract period, typically one year.

Outsourced data processing and ATM, debit card, and other transaction processing services revenue is recognized in the month the transactions are processed or the services are rendered.

Hardware Revenue: Hardware revenue is recognized upon delivery to the customer, when title and risk of loss are transferred. In most cases, we do not stock in inventory the hardware products we sell, but arrange for third-party suppliers to drop-ship the products to our customers on our behalf. The revenue related to these hardware sales is recorded gross, as we are the primary obligor in the contract with the customer. The Company also re-markets maintenance contracts on hardware to our customers. Gross hardware maintenance revenue is recognized ratably over the agreement period.

Revenue-based taxes collected from customers and remitted to governmental authorities are presented on a net basis (i.e. excluded from revenues).

Deferred Costs

Costs for certain software and hardware maintenance contracts with third parties, which are prepaid, are recognized ratably over the life of the maintenance contract, generally one to five years, with the related revenue amortized from deferred revenues.

Direct and incremental fulfillment costs associated with arrangements subject to Accounting Standards Codification ("ASC") 985-605 (for which VSOE of fair value cannot be established) are deferred until the only remaining element in the revenue arrangement is PCS at which point the costs are recognized ratably over the remaining PCS period with the related revenue. Deferred direct and incremental costs associated with arrangements not subject to ASC 985-605 consist primarily of certain up-front costs incurred in connection with our software hosting arrangements and are recognized ratably over the contract period which typically ranges from 5-7 years. These costs include commissions, costs of third-party licenses and the direct costs of our implementation services, consisting of payroll and other fringe benefits.

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 the Company's future consolidated operating results. We consider whether there is potential for impairment of any long-lived assets, and perform testing for valuation if it is determined that there is a triggering event causing risk of impairment.

Capitalization of software development costs

We capitalize certain costs incurred to develop commercial software products. For software that is to be sold, significant estimates and assumptions 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 require 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. The Company's 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.

Based on our outstanding debt with variable interest rates as of June 30, 2017, a 1% increase in our borrowing rate would increase interest expense by $500 on an annual basis.

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Financial Statement Schedules

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of Jack Henry & Associates, Inc. and its subsidiaries at June 30, 2017 and 2016, and the results of their operations and their cash flows for each of the two years in the period ended June 30, 2017 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, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these 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 these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri

August 25, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Jack Henry & Associates, Inc.

Monett, Missouri

We have audited the accompanying consolidated statements of income, changes in stockholders' equity, and cash flows of Jack Henry and Associates, Inc. and subsidiaries (the "Company") for the year ended June 30, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 2015 consolidated financial statements present fairly, in all material respects, the results of the operations and the cash flows of Jack Henry & Associates, Inc. and subsidiaries for the year ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

/s/Deloitte & Touche LLP

Kansas City, Missouri

September 11, 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 accounting principles generally accepted in the United States of America.

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 accounting principles generally accepted in the United States of America, 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, 2017, 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, 2017 was effective.

The Company's internal control over financial reporting as of June 30, 2017 has been audited by the Company's independent registered public accounting firm, as stated in their report on page 40.

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

	Year Ended June 30,		
	2017	2016	2015
REVENUE			
License	**$ 2,385**	$ 3,041	$ 2,635
Support and service	**1,384,338**	1,300,978	1,200,652
Hardware	**44,394**	50,627	52,903
Total revenue	**1,431,117**	1,354,646	1,256,190
COST OF SALES			
Cost of license	**730**	1,197	1,187
Cost of support and service	**786,143**	737,108	680,750
Cost of hardware	**32,161**	35,346	38,399
Total cost of sales	**819,034**	773,651	720,336
GROSS PROFIT	**612,083**	580,995	535,854
OPERATING EXPENSES			
Selling and marketing	**93,297**	90,079	89,004
Research and development	**84,753**	81,234	71,495
General and administrative	**69,601**	67,514	64,364
Gain on disposal of businesses	**(3,270)**	(19,491)	(6,874)
Total operating expenses	**244,381**	219,336	217,989
OPERATING INCOME	**367,702**	361,659	317,865
INTEREST INCOME (EXPENSE)			
Interest income	**248**	307	169
Interest expense	**(996)**	(1,430)	(1,594)
Total interest income (expense)	**(748)**	(1,123)	(1,425)
INCOME BEFORE INCOME TAXES	**366,954**	360,536	316,440
PROVISION FOR INCOME TAXES	**121,161**	111,669	105,219
NET INCOME	**$ 245,793**	$ 248,867	$ 211,221
Basic earnings per share	**$ 3.16**	$ 3.13	$ 2.60
Basic weighted average shares outstanding	**77,856**	79,416	81,353
Diluted earnings per share	**$ 3.14**	$ 3.12	$ 2.59
Diluted weighted average shares outstanding	**78,255**	79,734	81,601

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, 2017	June 30, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 114,765**	$ 70,310
Receivables, net	**276,923**	253,923
Income tax receivable	**20,135**	15,636
Prepaid expenses and other	**66,894**	56,588
Deferred costs	**41,314**	35,472
Total current assets	**520,031**	431,929
PROPERTY AND EQUIPMENT, net	**282,934**	298,564
OTHER ASSETS:		
Non-current deferred costs	**96,847**	99,799
Computer software, net of amortization	**247,317**	222,115
Other non-current assets	**82,525**	70,461
Customer relationships, net of amortization	**90,433**	104,085
Other intangible assets, net of amortization	**36,393**	35,706
Goodwill	**552,465**	552,853
Total other assets	**1,105,980**	1,085,019
Total assets	**$ 1,908,945**	$ 1,815,512
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 6,841**	$ 14,596
Accrued expenses	**81,574**	85,411
Notes payable and current maturities of long-term debt	**—**	200
Deferred revenues	**382,777**	343,525
Total current liabilities	**471,192**	443,732
LONG-TERM LIABILITIES:		
Non-current deferred revenues	**128,607**	177,529
Non-current deferred income tax liability	**219,541**	188,601
Debt, net of current maturities	**50,000**	—
Other long-term liabilities	**7,554**	9,440
Total long-term liabilities	**405,702**	375,570
Total liabilities	**876,894**	819,302
STOCKHOLDERS' EQUITY		
Preferred stock - $1 par value; 500,000 shares authorized, none issued	**—**	—
Common stock - $0.01 par value; 250,000,000 shares authorized; 103,083,299 shares issued at June 30, 2017; 102,903,971 shares issued at June 30, 2016	**1,031**	1,029
Additional paid-in capital	**452,016**	440,123
Retained earnings	**1,585,278**	1,431,192
Less treasury stock at cost 25,660,212 shares at June 30, 2017; 24,208,517 shares at June 30, 2016	**(1,006,274)**	(876,134)
Total stockholders' equity	**1,032,051**	996,210
Total liabilities and equity	**$ 1,908,945**	$ 1,815,512

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,		
	2017	2016	2015
PREFERRED SHARES:	**—**	—	—
COMMON SHARES:			
Shares, beginning of year	**102,903,971**	102,695,214	102,429,926
Shares issued for equity-based payment arrangements	**98,781**	121,348	172,661
Shares issued for Employee Stock Purchase Plan	**80,547**	87,409	92,627
Shares, end of year	**103,083,299**	102,903,971	102,695,214
COMMON STOCK - PAR VALUE $0.01 PER SHARE:			
Balance, beginning of year	**$ 1,029**	$ 1,027	$ 1,024
Shares issued for equity-based payment arrangements	**1**	1	2
Shares issued for Employee Stock Purchase Plan	**1**	1	1
Balance, end of year	**$ 1,031**	$ 1,029	$ 1,027
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of year	**$ 440,123**	$ 424,536	$ 412,512
Shares issued for equity-based payment arrangements	**(1)**	696	640
Tax withholding related to share based compensation	**(5,479)**	(2,590)	(7,951)
Shares issued for Employee Stock Purchase Plan	**6,244**	5,710	4,880
Tax benefits from share-based compensation	**—**	1,051	4,343
Stock-based compensation expense	**11,129**	10,720	10,112
Balance, end of year	**$ 452,016**	$ 440,123	$ 424,536
RETAINED EARNINGS:			
Balance, beginning of year	**$ 1,431,192**	$ 1,266,443	$ 1,131,632
Net income	**245,793**	248,867	211,221
Dividends	**(91,707)**	(84,118)	(76,410)
Balance, end of year	**$ 1,585,278**	$ 1,431,192	$ 1,266,443
TREASURY STOCK:			
Balance, beginning of year	**$ (876,134)**	$ (700,472)	$ (577,781)
Purchase of treasury shares	**(130,140)**	(175,662)	(122,691)
Balance, end of year	**$ (1,006,274)**	$ (876,134)	$ (700,472)
TOTAL STOCKHOLDERS' EQUITY	**$ 1,032,051**	$ 996,210	$ 991,534
Dividends declared per share	**$ 1.18**	$ 1.06	$ 0.94

See notes to consolidated financial statements.

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

	Year Ended June 30,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	**$ 245,793**	$ 248,867	$ 211,221
Adjustments to reconcile net income from operations to net cash from operating activities:			
Depreciation	**49,677**	50,571	54,155
Amortization	**90,109**	79,077	64,841
Change in deferred income taxes	**30,940**	37,524	29,443
Other	**—**	—	(4,343)
Expense for stock-based compensation	**11,129**	10,720	10,112
(Gain)/loss on disposal of assets and businesses	**4,771**	(16,888)	(5,046)
Changes in operating assets and liabilities:			
Change in receivables	**(22,499)**	(13,735)	(21,346)
Change in prepaid expenses, deferred costs and other	**(25,088)**	(29,577)	(33,858)
Change in accounts payable	**(7,812)**	4,663	(583)
Change in accrued expenses	**(4,454)**	7,460	14,483
Change in income taxes	**(6,444)**	(16,624)	14,146
Change in deferred revenues	**(8,800)**	4,364	40,565
Net cash from operating activities	**357,322**	366,422	373,790
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for acquisitions, net of cash acquired	**—**	(8,275)	—
Capital expenditures	**(41,947)**	(56,325)	(54,409)
Proceeds from the sale of businesses	**5,632**	34,030	8,135
Proceeds from the sale of assets	**968**	2,844	182
Internal use software	**(16,608)**	(11,826)	(14,020)
Computer software developed	**(89,631)**	(96,411)	(76,872)
Net cash from investing activities	**(141,586)**	(135,963)	(136,984)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on credit facilities	**80,000**	100,000	90,000
Repayments on credit facilities	**(30,200)**	(152,500)	(50,783)
Debt acquisition costs	**—**	—	(901)
Purchase of treasury stock	**(130,140)**	(175,662)	(122,691)
Dividends paid	**(91,707)**	(84,118)	(76,410)
Other	**—**	—	4,343
Proceeds from issuance of common stock upon exercise of stock options	**1**	697	642
Minimum tax withholding payments related to share based compensation	**(5,480)**	(2,590)	(7,951)
Proceeds from sale of common stock	**6,245**	5,711	4,881
Net cash from financing activities	**(171,281)**	(308,462)	(158,870)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**$ 44,455**	$ (78,003)	$ 77,936
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**$ 70,310**	$ 148,313	$ 70,377
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 114,765**	$ 70,310	$ 148,313

See notes to consolidated financial statements.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands, Except Per Share Amounts)

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

DESCRIPTION OF THE COMPANY

Jack Henry & Associates, Inc. and subsidiaries ("JHA" or the "Company") is a provider of integrated computer systems and services that 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 software implementation services for financial institutions to utilize JHA software systems, and by providing other related services. JHA also provides continuing support and services to customers using in-house 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 accounting principles generally accepted in the United States of America 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.

REVENUE RECOGNITION

The Company derives revenue from the following sources: license arrangements, support and service fees (non-software) and hardware sales. There are no rights of return, condition of acceptance or price protection in the Company's sales contracts.

License Arrangements: For software license agreements, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery of the product or service has occurred, the fee is fixed or determinable and collection is probable. For arrangements where the fee is not fixed or determinable, revenue is deferred until payments become due. The Company's software license agreements generally include multiple products and services or "elements." Generally, none of these elements are deemed to be essential to the functionality of the other elements.

For multiple element arrangements, which contain software elements and non-software elements, we allocate revenue to the software deliverables and the non-software deliverables as a group based on the relative selling prices of all of the deliverables in the arrangement. For our non-software deliverables, we allocate the arrangement consideration based on the relative selling price of the deliverables using estimated selling price ("ESP"). For our software elements, we use vendor-specific objective evidence ("VSOE") for this allocation when it can be established and ESP when VSOE cannot be established.

The selling price for each element is based upon the following selling price hierarchy: VSOE if available, third-party evidence ("TPE") if VSOE is not available, or ESP if neither VSOE or TPE are available. Generally, we are not able to determine TPE because our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. ESP is determined after considering both market conditions (such as the sale of similar products in the market place) and entity-specific factors (such as pricing practices and the specifics of each transaction).

For our non-software deliverables, a delivered item is accounted for as a separate unit of accounting if the delivered item has standalone value and if the customer has a general right of return relative to the delivered item, delivery or performance of the undelivered item is probable and substantially within our control.

For our software licenses and related services, including the software elements of multiple-element software and non-software arrangements, U.S. GAAP generally require revenue earned on software arrangements involving multiple elements to be allocated to each element based on vendor-specific objective evidence ("VSOE") of fair value. VSOE of fair value is determined for implementation services based on a rate per hour for stand-alone professional services and the estimated hours for the bundled implementation, if the hours can be reasonably estimated. VSOE of fair value is determined for post-contract support ("PCS") based upon the price charged when sold separately. For a majority of the elements within our software arrangements, we have determined that VSOE cannot be established; therefore, revenue on our software arrangements is generally deferred until the only remaining element is post-contract support ("PCS"). At that point, the entire arrangement fee is recognized ratably over the remaining PCS period, assuming that all other criteria for revenue recognition have been met. The amounts deferred are included in the balance sheet as deferred revenue and recognized as Bundled Products & Services revenue within Support & Service revenue in the consolidated statements of income.

For arrangements that include specified upgrades, such upgrades are accounted for as a separate element of the arrangement. For those specified upgrades for which VSOE of fair value cannot be determined, revenue related to the software elements within the arrangement is deferred until such specified upgrades have been delivered.

Total revenue recognized related to our Bundled Products & Services was $117,046, $94,391, and $62,888 for the years ended June 30, 2017, 2016, and 2015, respectively.

Support and Service Fee Revenue (Non-software): Maintenance support revenue contracted for outside of a license arrangement is recognized pro-rata over the contract period, typically one year.

Outsourced data processing and ATM, debit card, and other transaction processing services revenue is recognized in the month the transactions are processed or the services are rendered.

Hardware Revenue: Hardware revenue is recognized upon delivery to the customer, when title and risk of loss are transferred. In most cases, we do not stock in inventory the hardware products we sell, but arrange for third-party suppliers to drop-ship the products to our customers on our behalf. The revenue related to these hardware sales is recorded gross, as we are the primary obligor in the contract with the customer. The Company also remarkets maintenance contracts on hardware to our customers. Hardware maintenance revenue is recognized ratably over the agreement period.

Revenue-based taxes collected from customers and remitted to governmental authorities are presented on a net basis (i.e. excluded from revenues).

DEFERRED COSTS

Costs for certain software and hardware maintenance contracts with third parties, which are prepaid, are recognized ratably over the life of the maintenance contract, generally one to five years, with the related revenue amortized from deferred revenues.

Direct and incremental costs associated with arrangements subject to Accounting Standards Codification ("ASC") 985-605 (for which VSOE of fair value cannot be established) are deferred until the only remaining element in the revenue arrangement is PCS at which point the costs are recognized ratably over the remaining PCS period with the related revenue. Deferred direct and incremental costs associated with arrangements not subject to ASC 985-605 consist primarily of certain up-front costs incurred in connection with our software hosting arrangements and are recognized ratably over the contract period which typically ranges from 5-7 years. These costs include commissions, costs of third-party licenses and the direct costs of our implementation services, consisting of payroll and other fringe benefits.

DEFERRED REVENUES

Deferred revenues consist primarily of prepaid annual software support fees, deferred bundled software arrangements revenue, and prepaid hardware maintenance fees. Deferred bundled software arrangements revenue and hardware maintenance contracts may be recognized over multiple years; therefore, the related deferred revenue and maintenance are classified as current or non-current in accordance with the terms of the contract. Software and hardware deposits received are also reflected as deferred revenues.

The vast majority of our maintenance (PCS) renews annually and runs from July 1 to June 30. Renewal billings are submitted to customers each June and the Company has the right to bill at that date; therefore we include those billings as gross in deferred revenue and as a receivable on our balance sheet at the end of each fiscal year.

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 Cost of support and service.

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 (such as 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 and other indefinite-lived intangible assets 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.

COMPREHENSIVE INCOME

Comprehensive income for each of the years ending June 30, 2017, 2016, and 2015 equals the Company's net income.

REPORTABLE SEGMENT INFORMATION

In accordance with U.S. GAAP, the Company's operations are classified as two reportable segments: bank systems and services and credit union systems and services (see Note 13). Revenue by type of product and service is presented on the face of the consolidated statements of income. 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, 2017, there were 25,660 shares in treasury stock and the Company had the remaining authority to repurchase up to 4,330 additional shares. The total cost of treasury shares at June 30, 2017 is $1,006,274. During fiscal 2017, the Company repurchased 1,452 treasury shares for $130,140. At June 30, 2016, there were 24,209 shares in treasury stock and the Company had authority to repurchase up to 5,782 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 10).

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. Our policy is to include interest and penalties related to unrecognized tax benefits in income tax expense.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers in May 2014. This standard is part of an effort to create a common revenue standard for U.S. generally accepted accounting principles (U.S. GAAP) and International Financial Reporting Standards (IFRS). The new standard will supersede much of the existing authoritative literature for revenue recognition. The new model enacts a five-step process for achieving the core principle, which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB also issued ASU No. 2015-14 which deferred the effective date of the new standard by one year, but allows early application as of the original effective date. We do not intend to adopt the provisions of the new standard early, so the standard and related amendments will be effective for the Company for its annual reporting period beginning July 1, 2018, including interim periods within that reporting period. In March 2016, the FASB issued ASU No. 2016-08, which addresses principal versus agent considerations under the new revenue standard. ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-20 also address specific aspects of the new standard. Entities are allowed to transition to the new standard by either recasting prior periods or recognizing the cumulative effect as of the beginning of the period of adoption. The Company is currently evaluating the newly issued guidance, including which transition approach will be applied, and continuing to assess all potential impacts of the standard. We expect the adoption of this standard to have a significant impact on our revenue recognition currently subject to Accounting Standards Codification (ASC) Topic 985. We are currently in the process of implementing and testing new software to assist in applying the five-step model to our various revenue streams and comparing the results to our current accounting practices. One of the most significant expected impacts relates to the recognition of license and implementation revenue on our multi-element arrangements. We expect to recognize license and install revenue at the time of the install completion, rather than over the maintenance period of the software on our multi-element agreements. We expect revenue related to hardware, Outlink contracts, payment processing, and professional services to remain substantially unchanged.

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. ASU No. 2016-02 will be effective for Jack Henry's annual reporting period beginning July 1, 2019 and early adoption is permitted. The Company is currently assessing the impact this new standard will have on our consolidated financial statements.

The FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, in March 2016. The new standard is intended to simplify several aspects of the accounting and presentation of share-based payment transactions, including reporting of excess tax benefits and shortfalls, statutory minimum withholding considerations, and classification within the statement of cash flows. The standard allows a one-time accounting policy election to either account for forfeitures as they occur or continue to estimate them. ASU No. 2016-09 is effective for the Company's annual reporting period beginning July 1, 2017. Management elected to early adopt this standard as of July 1, 2016 and has elected to continue our current practice of estimating forfeitures. The adoption of this standard had the following impacts on our condensed consolidated financial statements.

- Condensed consolidated statements of income- The new standard requires that the tax effects of share-based compensation be recognized in the provision for income taxes. Previously, these amounts were recognized in additional paid-in capital. Net tax benefits related to share-based compensation awards of $2,638 for the year ended June 30, 2017 were recognized

as reductions of income tax expense. These tax benefits reduced our effective income tax rate for the year-to-date period by 0.72%, and caused an increase in basic and diluted earnings per share of $0.03 for the year ended June 30, 2017. In addition, in calculating potential common shares used to determine diluted earnings per share, generally accepted accounting principles require us to use the treasury stock method. The new standard requires that assumed proceeds under the treasury stock method be modified to exclude the amount of excess tax benefits that would have been recognized in additional paid-in capital. These changes were applied on a prospective basis.

- Condensed consolidated statements of cash flows- The Company elected to apply the presentation requirements for cash flows related to excess tax benefits retrospectively; however, fiscal 2015 was not restated due to immateriality. The restatement for fiscal 2016 resulted in an increase to both net cash provided by operations and net cash used in financing of $1,306 for the year ended June 30, 2016. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any of the periods presented on our consolidated cash flows statements since such cash flows have historically been presented as a financing activity.

NOTE 2. FAIR VALUE OF FINANCIAL INSTRUMENTS

For cash equivalents, amounts receivable or payable and short-term borrowings, fair values approximate carrying value, based on the short-term nature of the assets and liabilities. The fair value of long-term debt also approximates carrying value as estimated using discounted cash flows based on the Company's current incremental borrowing rates.

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

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

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

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

Fair value of financial assets, included in cash and cash equivalents, and financial liabilities is as follows:

	Estimated Fair Value Measurements			Total Fair
Recurring Fair Value Measurements	Level 1	Level 2	Level 3	Value
June 30, 2017				
Financial Assets:				
Money market funds	$ **68,474**	$ **—**	$ **—**	$ **68,474**
Certificate of Deposit	$ **—**	$ **2,001**	$ **—**	$ **2,001**
Financial Liabilities:				
Revolving credit facility	$ **—**	$ **50,000**	$ **—**	$ **50,000**
June 30, 2016				
Financial Assets:				
Money market funds	$ **35,782**	$ **—**	$ **—**	$ **35,782**
Certificate of Deposit	$ **—**	$ **1,000**	$ **—**	$ **1,000**
Financial Liabilities:				
Revolving credit facility	$ **—**	$ **—**	$ **—**	$ **—**
Non-Recurring Fair Value Measurements				
June 30, 2017				
Long-lived assets held for sale [(a)]	$ **—**	$ **1,300**	$ **—**	$ **1,300**

a) In accordance with ASC Subtopic 360-10, long-lived assets held for sale with a carrying value of $4,575 were written down to their fair value of $1,300, resulting in an impairment totaling $3,275, which was included in earnings for the period. These assets are expected to be disposed of by sale within the twelve months of June 30, 2017.

NOTE 3. PROPERTY AND EQUIPMENT

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

	June 30,		
	2017	2016	Estimated Useful Life
Land	**$ 24,987**	$ 24,987	
Land improvements	**25,362**	25,470	5 - 20 years
Buildings	**143,350**	146,464	20 - 30 years
Leasehold improvements	**47,291**	46,897	5 - 30 years[1]
Equipment and furniture	**332,465**	337,565	3 - 10 years
Aircraft and equipment	**38,522**	37,967	4 - 10 years
Construction in progress	**15,971**	7,373	
	627,948	626,723	
Less accumulated depreciation	**345,014**	328,159	
Property and equipment, net	**$ 282,934**	$ 298,564	

[1] Lesser of lease term or estimated useful life

Property and equipment included $534 and $651 that was in accrued liabilities at June 30, 2017 and 2016, respectively. These amounts were excluded from capital expenditures on the statements of cash flows.

In fiscal 2017, we recorded an impairment loss on one of our facilities of $3,275 due to damage caused by water intrusion around the facility's windows and roof. The impairment loss is included in the caption "Cost of support and service" in our consolidated statements of income and is included in our Bank segment.

NOTE 4. OTHER ASSETS

Goodwill

The carrying amount of goodwill for the years ended June 30, 2017 and 2016, by reportable segments, is as follows:

	June 30,	
Bank systems and services	**2017**	2016
Beginning balance	**$ 423,282**	$ 420,795
Goodwill, acquired during the year	**—**	6,099
Goodwill, written-off related to sale	**(388)**	(3,612)
Ending balance	**$ 422,894**	$ 423,282
Credit Union systems and services		
Beginning balance	**$ 129,571**	$ 129,571
Goodwill, acquired during the year	**—**	—
Ending balance	**$ 129,571**	$ 129,571

The Goodwill written-off during fiscal 2017 was a result of our sale of our Regulatory Filing products to Fed Reporter on May 1, 2017. Goodwill allocated to the carrying amount of the net assets sold (mainly computer software) was calculated based on the relative fair values of the business disposed and the portion of the reporting unit that was retained.

The goodwill acquired during fiscal 2016 of $6,099 was a result of our purchase of Bayside Business Solutions, Inc. 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 Bayside Business Solutions, together with the value of Bayside Business Solutions' assembled workforce. Goodwill from this acquisition has been allocated to our Bank segment.

During fiscal 2016 the Company sold its Alogent business (Alogent) to Antelope Acquisition Co., an affiliate of Battery Ventures. Alogent was included in our Bank segment. Goodwill allocated to the carrying amount of the net assets sold was calculated based on the relative fair values of the business disposed and the portion of the reporting unit that was retained.

Other Intangible Assets

Information regarding other identifiable intangible assets is as follows:

	June 30, 2017		
	Gross Carrying Amount	**Accumulated Amortization**	**Net**
Customer relationships	**$ 262,693**	**$ (172,260)**	**$ 90,433**
Computer software	**$ 543,913**	**$ (296,596)**	**$ 247,317**
Other intangible assets:	**$ 71,190**	**$ (34,797)**	**$ 36,393**

	June 30, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	$ 266,545	$ (162,460)	$ 104,085
Computer software	$ 474,738	$ (252,623)	$ 222,115
Other intangible assets:	$ 56,494	$ (20,788)	$ 35,706

Customer relationships have lives ranging from 5 to 20 years.

Computer software includes cost of software to be sold, leased, or marketed of $117,065 and costs of internal-use software of $130,252 at June 30, 2017. At June 30, 2016, costs of software to be sold, leased, or marketed totaled $108,991, and costs of internal-use software totaled $113,124.

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 10 years. Amortization expense for computer software totaled $60,880, $54,810, and $43,798 for the fiscal years ended June 30, 2017, 2016, and 2015, respectively. There were no material impairments in any of the fiscal years presented.

Our other intangible assets have useful lives ranging from 3 to 20 years.

Amortization expense for all intangible assets was $90,109, $79,077, and $64,841 for the fiscal years ended June 30, 2017, 2016, and 2015, respectively. The estimated aggregate future amortization expense for each of the next five years for all intangible assets remaining as of June 30, 2017, is as follows:

Years Ending June 30,	Computer Software	Customer Relationships	Other Intangible Assets	Total
2018	$ 60,412	$ 12,220	$ 12,779	$ 85,411
2019	52,157	11,978	8,462	72,597
2020	41,555	10,074	2,962	54,591
2021	24,874	8,430	641	33,945
2022	9,522	7,811	613	17,946

NOTE 5. DEBT

The Company’s outstanding long and short-term debt is as follows:

	June 30, 2017	June 30, 2016
LONG-TERM DEBT		
Revolving credit facility	**$ 50,000**	$ —
SHORT-TERM DEBT		
Capital leases	**$ —**	$ 200

The following table summarizes the future annual principal payments required for all outstanding debt as of June 30, 2017:

Fiscal years ended June 30,		
2020		50,000
	$	50,000

Capital leases

The Company had previously entered into various capital lease obligations for the use of certain computer equipment, but has no capital lease obligations at June 30, 2017. At June 30, 2016, the Company had capital lease obligations totaling $200 and property and equipment included assets under capital leases totaling $2,329, with accumulated depreciation totaling $898.

Revolving credit facility

The revolving credit facility provides for borrowings of up to $300,000, which may be increased by the Company at any time until maturity to $600,000. The credit facility bears interest at a variable rate equal to (a) a rate based on LIBOR or (b) an alternate base rate (the highest of (i) the Prime Rate for such day, (ii) the sum of the Federal Funds Effective Rate for such day plus 0.50% and (iii) the Eurocurrency Rate for a one month Interest Period on such day for dollars plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The credit facility is guaranteed by certain subsidiaries of the Company. The credit facility is subject to various financial covenants that require the Company to maintain certain financial ratios as defined in the agreement. As of June 30, 2017, the Company was in compliance with all such covenants. The revolving loan terminates February 20, 2020 and at June 30, 2017 there was a $50,000 outstanding balance.

Other lines of credit

The Company renewed an unsecured bank credit line on April 24, 2017 which provides for funding of up to $5,000 and bears interest at the prime rate less 1.0%. The credit line was renewed through April 30, 2019. At June 30, 2017, no amount was outstanding.

Interest

The Company paid interest of $767, $1,320, and $1,111 during the years ended June 30, 2017, 2016, and 2015, respectively.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Property and Equipment

The Company had no material commitments at June 30, 2017 to purchase property and equipment. There were also no material commitments at June 30, 2016.

Leases

The Company leases certain property under operating leases which expire over the next 13 years, but certain of the leases contain options to extend the lease term. All lease payments are based on the lapse of time but include, in some cases, payments for operating expenses and property taxes. There are no purchase options on real estate leases at this time. Certain leases on real estate are subject to annual escalations for increases in operating expenses and property taxes.

As of June 30, 2017, net future minimum lease payments are as follows:

Years Ending June 30,		Lease Payments
2018	$	10,945
2019		8,172
2020		6,675
2021		4,578
2022		3,317
Thereafter		14,304
Total	$	47,991

Rent expense was $10,195, $10,167, and $9,547 in 2017, 2016, and 2015 respectively.

NOTE 7. INCOME TAXES

The provision for income taxes consists of the following:

	Year Ended June 30,		
	2017	2016	2015
Current:			
Federal	**$ 80,752**	$ 66,574	$ 70,555
State	**9,469**	7,571	5,221
Deferred:			
Federal	**25,756**	34,355	28,018
State	**5,184**	3,169	1,425
	$ 121,161	$ 111,669	$ 105,219

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

	June 30,	
	2017	2016
Deferred tax assets:		
Contract and service revenues and costs	**$ 54,908**	$ 69,597
Expense reserves (bad debts, insurance, franchise tax and vacation)	**14,648**	14,770
Net operating loss carryforwards	**3,547**	3,543
Other, net	**2,119**	2,090
Total gross deferred tax assets	**75,222**	90,000
Valuation allowance	**(357)**	(608)
Net deferred tax assets	**74,865**	89,392
Deferred tax liabilities:		
Accelerated tax depreciation	**(36,994)**	(40,857)
Accelerated tax amortization	**(178,999)**	(160,719)
Contract and service revenues and costs	**(78,413)**	(76,417)
Total gross deferred liabilities	**(294,406)**	(277,993)
Net deferred tax liability	**$ (219,541)**	$ (188,601)

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

	Year Ended June 30,		
	2017	2016	2015
Computed "expected" tax expense	**35.0%**	35.0%	35.0%
Increase (reduction) in taxes resulting from:			
State income taxes, net of federal income tax benefits	**2.6%**	1.9%	1.4%
Research and development credit	**(2.0)%**	(2.5)%	(1.5)%
Domestic production activities deduction	**(2.1)%**	(1.9)%	(2.0)%
Tax over book basis in subsidiary stock	**—%**	(1.7)%	—%
Tax effects of share-based payments	**(0.7)%**	—%	—%
Other (net)	**0.2%**	0.2%	0.4%
	33.0%	31.0%	33.3%

As of June 30, 2017, we have $5,193 of gross federal net operating loss (“NOL”) carryforwards pertaining to the acquisition of Goldleaf Financial Solutions, Inc., which are expected to be utilized after the application of IRC Section 382. Separately, as of June 30, 2017, we have state NOL carryforwards with a tax-effected value of $1,731. The federal and state losses have varying expiration dates, ranging from fiscal year 2017 to 2036. Based on state tax rules which restrict our utilization of these losses, we believe it is more likely than not

that $357 of these losses will expire unutilized. Accordingly, a valuation allowance of $357 and $608 has been recorded against these assets as of June 30, 2017 and 2016, respectively.

The Company paid income taxes, net of refunds, of $96,074, $90,307, and $61,885 in 2017, 2016, and 2015 respectively.

At June 30, 2017, the Company had $5,449 of gross unrecognized tax benefits, $3,990 of which, if recognized, would affect our effective tax rate. At June 30, 2016, the Company had $7,421 of unrecognized tax benefits, $5,986 of which, if recognized, would affect our effective tax rate. We had accrued interest and penalties of $995 and $1,178 related to uncertain tax positions at June 30, 2017 and 2016, respectively. The income tax provision included interest expense and penalties (or benefits) on unrecognized tax benefits of $(105), $47, and $(155) in the years ending June 30, 2017, 2016, and 2015, respectively.

A reconciliation of the unrecognized tax benefits for the years ended June 30, 2017 and 2016 follows:

	Unrecognized Tax Benefits
Balance at July 1, 2015	$ 7,104
Additions for current year tax positions	1,581
Reductions for current year tax positions	(56)
Additions for prior year tax positions	507
Reductions for prior year tax positions	(38)
Reductions related to expirations of statute of limitations	(1,677)
Balance at June 30, 2016	7,421
Additions for current year tax positions	**1,457**
Reductions for current year tax positions	**—**
Additions for prior year tax positions	**23**
Reductions for prior year tax positions	**(766)**
Settlements	**(1,040)**
Reductions related to expirations of statute of limitations	**(1,646)**
Balance at June 30, 2017	**$ 5,449**

During the period ended June 30, 2016, the Internal Revenue Service commenced an examination of the Company's U.S. federal income tax returns for fiscal years ended June 30, 2014 and 2015. The examination was completed during the quarter ending December 31, 2016. The closing of the examination did not result in a material change to the Company's financial statements.

The U.S. federal and state income tax returns for June 30, 2014 and all subsequent years remain subject to examination as of June 30, 2017 under statute of limitations rules. We anticipate that potential changes due to lapsing statutes of limitations and examination closures could reduce the unrecognized tax benefits balance by $500 - $1,500 within twelve months of June 30, 2017.

NOTE 8. 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, 2017 and 2016) are maintained for potential credit losses.

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 9. STOCK-BASED COMPENSATION

Our pre-tax operating income for the years ended June 30, 2017, 2016, and 2015 includes $11,129, $10,720, and $10,112 of equity-based compensation costs, respectively, of which $9,861, $9,712, and $9,251 relates to the restricted stock plans, respectively. The income tax benefits from stock option exercises and restricted stock vests totaled $2,638, $1,051, and $4,343 for the years ended June 30, 2017, 2016, and 2015, respectively.

2015 Equity Incentive Plan and 2005 Non-Qualified Stock Option 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.

The Company previously issued options to outside directors under the 2005 Non-Qualified Stock Option Plan ("2005 NSOP"). No additional stock options may be issued under this plan.

The 2005 NSOP was adopted by the Company on September 23, 2005, for its outside directors. Generally, options were exercisable beginning 6 months after grant at an exercise price equal to the fair market value of the stock at the grant date. For individuals who have served less than four continuous years, 25% of all options will vest after one year of service, 50% shall vest after two years, and 75% shall vest after three years of service on the Board. The options terminate upon surrender of the option, upon the expiration of one year following notification of a deceased optionee, or 10 years after grant. 700 shares of common stock were reserved for issuance under this plan with a maximum of 100 for each director.

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

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding July 1, 2014	125	$ 22.29	
Granted	—	—	
Forfeited	—	—	
Exercised	(25)	19.17	
Outstanding July 1, 2015	100	23.07	
Granted	—	—	
Forfeited	—	—	
Exercised	(50)	23.99	
Outstanding July 1, 2016	50	22.14	
Granted	32	87.27	
Forfeited	—	—	
Exercised	(10)	28.52	
Outstanding June 30, 2017	**72**	**$ 50.04**	**$ 3,859**
Vested and Expected to Vest June 30, 2017	**72**	**$ 50.04**	**$ 3,859**
Exercisable June 30, 2017	**40**	**$ 20.55**	**$ 3,333**

There were 32 options granted in fiscal 2017, and no options granted during either of the two prior years presented. The weighted-average fair value at the grant date of options granted during fiscal 2017 was $15.78.

The Company utilized a Black-Scholes option pricing model to estimate fair value of the stock option grants at the grant date. All 32 options granted during fiscal 2017 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 our estimate was determined from external data, while volatility, expected life, and dividend yield assumptions were derived from our 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
Volatility	19.60%
Risk free interest rate	1.24%
Dividend yield	1.28%

At June 30, 2017, there was $334 of compensation cost yet to be recognized related to outstanding options. The weighted average remaining contractual term on options currently exercisable as of June 30, 2017 was 1.88 years.

The total intrinsic value of options exercised was $747, $3,011, and $1,044 for the fiscal years ended June 30, 2017, 2016, and 2015, 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 will be 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, 2014	138	33.56
Granted	12	57.77
Vested	(71)	35.69
Forfeited	(7)	46.39
Outstanding July 1, 2015	72	34.28
Granted	22	66.31
Vested	(24)	43.45
Forfeited	(12)	23.82
Outstanding July 1, 2016	58	44.95
Granted	17	87.27
Vested	(38)	37.00
Forfeited	(1)	65.52
Outstanding June 30, 2017	**36**	**$ 73.66**

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 17 non-vested share awards granted during the year ending June 30, 2017 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, 2017, there was $1,094 of compensation expense that has yet to be recognized related to non-vested restricted stock share awards, which will be recognized over a weighted-average period of 0.96 years.

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 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, 2017, as well as activity for the year then ended:

Unit awards	Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding July 1, 2014	709	31.66	
Granted	178	53.62	
Vested	(277)	19.69	
Forfeited	(111)	22.74	
Outstanding July 1, 2015	499	48.13	
Granted	130	75.99	
Vested	(99)	44.09	
Forfeited	(101)	45.89	
Outstanding July 1, 2016	429	58.06	
Granted	130	77.75	
Vested	(136)	50.12	
Forfeited	(37)	54.30	
Outstanding June 30, 2017	**386**	**$67.84**	**$40,043**

The Company utilized a Monte Carlo pricing model customized to the specific provisions of the Company's plan design to value unit awards subject to performance targets on the grant dates. The weighted average assumptions used in this model to estimate fair value at the grant dates are as follows:

	Year Ended June 30,		
	2017	2016	2015
Volatility	16.0%	15.6%	17.8%
Risk free interest rate	0.93%	1.06%	1.06%
Dividend yield	1.3%	1.5%	1.5%
Stock Beta	0.684	0.741	0.765

For the year ended June 30, 2017, 85 unit awards were granted and measured using the above assumptions. The remaining 45 unit awards granted are not subject to performance targets, and therefore the estimated fair value at measurement date is valued in the same manner as restricted stock award grants.

At June 30, 2017, there was $9,887 of compensation expense that has yet to be recognized related to non-vested restricted stock unit awards, which will be recognized over a weighted-average period of 1.04 years.

The fair value of restricted shares and units at vest date totaled $15,085, $8,677, and $20,275 for the years ended June 30, 2017, 2016, and 2015, respectively.

NOTE 10. EARNINGS PER SHARE

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

	Year Ended June 30,		
	2017	2016	2015
Net Income	**$ 245,793**	$ 248,867	$ 211,221
Common share information:			
Weighted average shares outstanding for basic earnings per share	**77,856**	79,416	81,353
Dilutive effect of stock options and restricted stock	**399**	318	248
Weighted average shares outstanding for diluted earnings per share	**78,255**	79,734	81,601
Basic earnings per share	**$ 3.16**	$ 3.13	$ 2.60
Diluted earnings per share	**$ 3.14**	$ 3.12	$ 2.59

Per share information is based on the weighted average number of common shares outstanding for each of the fiscal years. Stock options 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 32 anti-dilutive stock options and restricted stock excluded for fiscal 2017, 0 shares excluded for fiscal 2016, and 0 shares excluded for fiscal 2015.

NOTE 11. 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 a 15% discount. 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. Total expense recorded by the Company under the plan for the year ended June 30, 2017, 2016 and 2015 was $1,102, $1,008 and $861, respectively.

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 subject to a maximum of $5 per year. 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 $17,550, $16,794, and $15,378 for fiscal 2017, 2016 and 2015, respectively.

NOTE 12. BUSINESS ACQUISITION

Bayside Business Solutions, Inc.

Effective July 1, 2015, the Company acquired all of the equity interests of Bayside Business Solutions, an Alabama-based company that provides technology solutions and payment processing services primarily for the financial services industry, for $10,000 paid in cash. This acquisition was funded using existing operating cash. The acquisition of Bayside Business Solutions expanded the Company's presence in commercial lending within the industry.

Management has completed a purchase price allocation of Bayside Business Solutions and its assessment of the fair value of acquired assets and liabilities assumed. The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 1, 2015 are set forth below:

Current assets	**$ 1,922**
Long-term assets	**253**
Identifiable intangible assets	**5,005**
Total liabilities assumed	**(3,279)**
Total identifiable net assets	**3,901**
Goodwill	**6,099**
Net assets acquired	**$ 10,000**

The goodwill of $6,099 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 Bayside Business Solutions, together with the value of Bayside Business Solutions' assembled workforce. Goodwill from this acquisition has been allocated to our Bank Systems and Services segment. The goodwill is not expected to be deductible for income tax purposes.

Identifiable intangible assets from this acquisition consist of customer relationships of $3,402, $659 of computer software and other intangible assets of $944. The weighted average amortization period for acquired customer relationships, acquired computer software, and other intangible assets is 15 years, 5 years, and 20 years, respectively.

Current assets were inclusive of cash acquired of $1,725. The fair value of current assets acquired included accounts receivable of $178. The gross amount of receivables was $178, none of which was expected to be uncollectible.

During fiscal year 2016, the Company incurred $55 in costs related to the acquisition of Bayside Business Solutions. These costs included fees for legal, valuation and other fees. These costs were included within general and administrative expenses.

The results of Bayside Business Solutions' operations included in the Company's consolidated statement of income for the twelve months ended June 30, 2017 included revenue of $6,536 and after-tax net income of $1,307. For the twelve months ended June 30, 2016, Bayside Business Solutions' contributed $4,273 to revenue, and after-tax net income of $303.

The accompanying consolidated statements of income do not include any revenues and expenses related to this acquisition prior to the acquisition date. The impact of this acquisition was considered immaterial to both the current and prior periods of our consolidated financial statements and pro forma financial information has not been provided.

NOTE 13. REPORTABLE SEGMENT INFORMATION

The Company is a leading provider of technology solutions and payment processing services primarily for financial services organizations. The Company's operations are classified into two reportable segments: bank systems and services ("Bank") and credit union systems and services ("Credit Union"). The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenue.

	Year Ended June 30, 2017		
	Bank	**Credit Union**	**Total**
REVENUE			
License	$ 1,928	$ 457	$ 2,385
Support and service	1,025,378	358,960	1,384,338
Hardware	28,457	15,937	44,394
Total revenue	1,055,763	375,354	1,431,117
COST OF SALES			
Cost of license	627	103	730
Cost of support and service	605,414	180,729	786,143
Cost of hardware	20,281	11,880	32,161
Total cost of sales	626,322	192,712	819,034
GROSS PROFIT	$ 429,441	$ 182,642	612,083
OPERATING EXPENSES			244,381
INTEREST INCOME (EXPENSE)			(748)
INCOME BEFORE INCOME TAXES			$ 366,954

	Year Ended June 30, 2016		
	Bank	Credit Union	Total
REVENUE			
License	$ 2,536	$ 505	$ 3,041
Support and service	960,738	340,240	1,300,978
Hardware	33,394	17,233	50,627
Total revenue	996,668	357,978	1,354,646
COST OF SALES			
Cost of license	1,058	139	1,197
Cost of support and service	564,851	172,257	737,108
Cost of hardware	23,159	12,187	35,346
Total cost of sales	589,068	184,583	773,651
GROSS PROFIT	$ 407,600	$ 173,395	580,995
OPERATING EXPENSES			219,336
INTEREST INCOME (EXPENSE)			(1,123)
INCOME BEFORE INCOME TAXES			$ 360,536

	Year Ended June 30, 2015		
	Bank	Credit Union	Total
REVENUE			
License	$ 1,727	$ 908	$ 2,635
Support and service	922,545	278,107	1,200,652
Hardware	38,457	14,446	52,903
Total revenue	962,729	293,461	1,256,190
COST OF SALES			
Cost of license	832	355	1,187
Cost of support and service	533,407	147,343	680,750
Cost of hardware	27,831	10,568	38,399
Total cost of sales	562,070	158,266	720,336
GROSS PROFIT	$ 400,659	$ 135,195	535,854
OPERATING EXPENSES			217,989
INTEREST INCOME (EXPENSE)			(1,425)
INCOME BEFORE INCOME TAXES			$ 316,440

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

NOTE 14: SUBSEQUENT EVENTS

Dividends

On August 18, 2017, the Company's Board of Directors declared a cash dividend of $0.31 per share on its common stock, payable on September 28, 2017 to shareholders of record on September 8, 2017.

Change in Reportable Segments

Beginning in the first quarter of fiscal 2018, JHA intends to make a change to the reportable segment structure. The current Bank and Credit Union segments will be replaced by four new segments: Payments, Core Software, Complementary Software, and Corporate/ Other. The proposed change is being made based on the view of our new Chief Operating Decision Maker, David Foss, that the Company could be more effectively managed using a product-centric approach as opposed to the customer-centric approach that had been previously used.

QUARTERLY FINANCIAL INFORMATION

(unaudited)

	For the Year Ended June 30, 2017				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
REVENUE					
License	$ 694	$ 849	$ 516	$ 326	$ 2,385
Support and service	333,046	337,515	342,769	371,008	1,384,338
Hardware	11,288	10,189	10,482	12,435	44,394
Total revenue	**345,028**	**348,553**	**353,767**	**383,769**	**1,431,117**
COST OF SALES					
Cost of license	252	59	280	139	730
Cost of support and service	185,892	191,269	198,844	210,138	786,143
Cost of hardware	8,619	6,818	7,603	9,121	32,161
Total cost of sales	**194,763**	**198,146**	**206,727**	**219,398**	**819,034**
GROSS PROFIT	**150,265**	**150,407**	**147,040**	**164,371**	**612,083**
OPERATING EXPENSES					
Selling and marketing	22,127	21,903	23,571	25,696	93,297
Research and development	19,739	20,873	20,801	23,340	84,753
General and administrative	16,982	18,989	16,223	17,407	69,601
Gain on disposal of businesses*	—	36	(2,286)	(1,020)	(3,270)
Total operating expenses	**58,848**	**61,801**	**58,309**	**65,423**	**244,381**
OPERATING INCOME	**91,417**	**88,606**	**88,731**	**98,948**	**367,702**
INTEREST INCOME (EXPENSE)					
Interest income	108	60	42	38	248
Interest expense	(142)	(184)	(278)	(392)	(996)
Total interest income (expense)	**(34)**	**(124)**	**(236)**	**(354)**	**(748)**
INCOME BEFORE INCOME TAXES	**91,383**	**88,482**	**88,495**	**98,594**	**366,954**
PROVISION FOR INCOME TAXES	29,139	29,668	28,451	33,903	121,161
NET INCOME	**$ 62,244**	**$ 58,814**	**$ 60,044**	**$ 64,691**	**$ 245,793**
Basic earnings per share	**$ 0.79**	**$ 0.76**	**$ 0.77**	**$ 0.83**	**$ 3.16**
Basic weighted average shares outstanding	**78,413**	**77,814**	**77,597**	**77,602**	**77,856**
Diluted earnings per share	**$ 0.79**	**$ 0.75**	**$ 0.77**	**$ 0.83**	**$ 3.14**
Diluted weighted average shares outstanding	**78,844**	**78,180**	**77,932**	**78,064**	**78,255**

*Gain on disposal of business was included in general and administrative expenses within the financial statements previously filed in the Company's Quarterly Reports on Form 10-Q.

	For the Year Ended June 30, 2016				
	Quarter 1	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Total**
REVENUE					
License	$ 1,604	$ 634	$ 292	$ 511	$ 3,041
Support and service	307,746	320,219	319,649	353,364	1,300,978
Hardware	12,268	12,019	13,245	13,095	50,627
Total revenue	**321,618**	**332,872**	**333,186**	**366,970**	**1,354,646**
COST OF SALES					
Cost of license	181	498	193	325	1,197
Cost of support and service	174,714	181,989	184,527	195,878	737,108
Cost of hardware	8,768	7,958	9,553	9,067	35,346
Total cost of sales	**183,663**	**190,445**	**194,273**	**205,270**	**773,651**
GROSS PROFIT	**137,955**	**142,427**	**138,913**	**161,700**	**580,995**
OPERATING EXPENSES					
Selling and marketing	21,751	22,231	22,732	23,365	90,079
Research and development	18,554	18,862	19,854	23,964	81,234
General and administrative	17,113	16,547	16,497	17,357	67,514
Gain on disposal of businesses	—	—	—	(19,491)	(19,491)
Total operating expenses	**57,418**	**57,640**	**59,083**	**45,195**	**219,336**
OPERATING INCOME	**80,537**	**84,787**	**79,830**	**116,505**	**361,659**
INTEREST INCOME (EXPENSE)					
Interest income	113	91	54	49	307
Interest expense	(220)	(276)	(486)	(448)	(1,430)
Total interest income (expense)	**(107)**	**(185)**	**(432)**	**(399)**	**(1,123)**
INCOME BEFORE INCOME TAXES	**80,430**	**84,602**	**79,398**	**116,106**	**360,536**
PROVISION FOR INCOME TAXES	29,064	25,254	25,515	31,836	111,669
NET INCOME	**$ 51,366**	**$ 59,348**	**$ 53,883**	**$ 84,270**	**$ 248,867**
Basic net income per share	**$ 0.64**	**$ 0.75**	**$ 0.68**	**$ 1.07**	**$ 3.13**
Basic weighted average shares outstanding	**80,545**	**79,473**	**78,805**	**78,841**	**79,416**
Diluted net income per share	$ 0.64	$ 0.74	$ 0.68	$ 1.06	$ 3.12
Diluted weighted average shares outstanding	80,735	79,770	79,167	79,261	79,734

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[Board of Directors]

John F. "Jack" Prim
EXECUTIVE CHAIRMAN
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.
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Leggett & Platt, Incorporated
Carthage, Missouri

Tom H. Wilson, Jr.
MANAGING PARTNER
DecisionPoint Advisors, LLC
Charlotte, North Carolina

Jacqueline R. Fiegel
CHAIRMAN/CENTRAL OKLAHOMA AREA
Prosperity Bank
Oklahoma City, Oklahoma

Thomas A. Wimsett
CHAIRMAN AND MANAGING PARTNER
Wimsett & Company, LLC
Louisville, Kentucky

Laura G. Kelly
MANAGING DIRECTOR, VALUATION SOLUTIONS GROUP
CoreLogic
Irvine, CA

Shruti S. Miyashiro
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Orange County's Credit Union
Santa Ana, California

Wesley A. Brown
PRESIDENT
Bent St. Vrain & Company, LLC
Denver, Colorado

Executive Officers

JOHN F. "JACK" PRIM
Executive Chairman of the Board

DAVID B. FOSS
President and Chief Executive Officer

KEVIN D. WILLIAMS
Chief Financial Officer and Treasurer

MARK S. FORBIS
Vice President and Chief Technology Officer

CRAIG K. MORGAN
General Counsel and Secretary

ANNUAL MEETING

The annual meeting of shareholders will be held on Thursday, November 9, 2017 at 11 a.m. CT at Jack Henry & Associates' Corporate Headquarters, Monett, Missouri.

FORM 10-K

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

TRANSFER AGENT AND REGISTRAR

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College Station, TX 77842-3170

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