

HENRY JACK & ASSOCIATES INC  
Form 10-K  
August 27, 2013

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

FORM 10-K

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

(Mark One)

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

For the fiscal year ended June 30, 2013

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-14112

JACK HENRY & ASSOCIATES, INC.  
(Exact name of registrant as specified in its charter)  
Delaware  
(State or Other Jurisdiction of Incorporation)

43-1128385  
(I.R.S Employer Identification No.)

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock (\$0.01 par value)	NASDAQ Global Select Market

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

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

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

Edgar Filing: HENRY JACK & ASSOCIATES INC - Form 10-K

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer [X] Accelerated filer [ ]

Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ ]

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

As of August 21, 2013, the Registrant had 85,268,567 shares of Common Stock outstanding (\$0.01 par value). On December 31, 2012, the aggregate market value of the Common Stock held by persons other than those who may be deemed affiliates of Registrant was \$3,300,462,978 (based on the average of the reported high and low sales prices on NASDAQ on December 31, 2012).

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Notice of Annual Meeting of Stockholders and Proxy Statement for its 2013 Annual Meeting of Stockholders (the "Proxy Statement"), to the Table of Contents below, are incorporated by reference into Part II, Item 5 and into Part III of this Report.

## TABLE OF CONTENTS

	Page Reference
PART I	
ITEM 1. BUSINESS	<u>4</u>
ITEM 1A. RISK FACTORS	<u>12</u>
ITEM 1B. UNRESOLVED STAFF COMMENTS	<u>14</u>
ITEM 2. PROPERTIES	<u>14</u>
ITEM 3. LEGAL PROCEEDINGS	<u>15</u>
ITEM 4. MINE SAFETY DISCLOSURES	<u>15</u>
PART II	
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	<u>15</u>
ITEM 6. SELECTED FINANCIAL DATA	<u>17</u>
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	<u>17</u>
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	<u>30</u>
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	<u>31</u>
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	<u>56</u>
ITEM 9A. CONTROLS AND PROCEDURES	<u>56</u>
ITEM 9B. OTHER INFORMATION	<u>56</u>
PART III	
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	<u>57</u>
ITEM 11. EXECUTIVE COMPENSATION	<u>57</u>
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	<u>57</u>
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	<u>57</u>

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES 57

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES 57

3

---

In this report, all references to “JHA”, the “Company”, “we”, “us”, and “our”, refer to Jack Henry & Associates, Inc., and its consolidated subsidiaries.

#### FORWARD LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, in Management's Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section titled “Risk Factors” (Part I, Item 1A of this Form 10-K). We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

#### PART I

##### ITEM 1. BUSINESS

Jack Henry & Associates, Inc. was founded in 1976 as a provider of core information processing solutions for community banks. Today, the Company's extensive array of products and services includes processing transactions, automating business processes, and managing information for more than 11,300 financial institutions and diverse corporate entities.

JHA provides its products and services through three business brands:

Jack Henry Banking is a leading provider of integrated data processing systems to almost 1,300 banks ranging from community institutions to mid-tier banks with assets of up to \$30 billion. Our banking solutions support both in-house and outsourced operating environments with three functionally distinct core processing platforms and more than 100 integrated complementary solutions.

Symitar is a leading provider of core data processing solutions for credit unions of all sizes, with over 760 credit union customers. Symitar markets two functionally distinct core processing platforms and more than 50 integrated complementary solutions that support both in-house and outsourced operating environments.

ProfitStars is a leading provider of highly specialized products and services to financial institutions that are primarily not core customers of the Company. ProfitStars offers highly specialized financial performance, imaging and payments processing, information security and risk management, retail delivery, and online and mobile solutions.

ProfitStars' products and services enhance the performance of financial services organizations of all asset sizes and charters, and diverse corporate entities with approximately 11,000 domestic and international customers.

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

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

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

The majority of our revenue is derived from recurring transaction processing fees, outsourcing fees that generally have contract terms of five years or greater, and support and service fees. Less predictable software license fees, paid by customers implementing our software solutions in-house, and hardware sales, including all non-software products that

we re-market in order to support our software systems, complement our primary revenue sources. JHA ended fiscal 2013 with \$1,129.4 million gross revenue. This has increased from \$742.9 million at the end of fiscal 2008, representing a compound annual growth rate during this challenging five-year period of 9 percent. Net income from continuing operations has grown from \$105.3 million to \$176.6 million during this same five-year period,

4

---

## Table of Contents

representing a compound annual growth rate of 11 percent. Information regarding the classification of our business into separate segments serving the banking and credit union industries is set forth in Note 12 to the Consolidated Financial Statements (see Item 8).

JHA's progress and performance have been guided by the focused work ethic and fundamental ideals fostered by the Company's founders over three decades ago:

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

We recognize that our associates and their collective contribution are ultimately responsible for JHA's past, present, and future success. Recruiting and retaining high-quality employees is essential to our ongoing growth and financial performance, and we have established a corporate culture that sustains high levels of employee satisfaction.

### Industry Background

Jack Henry Banking primarily serves commercial banks and savings institutions with up to \$30.0 billion in assets. According to the Federal Deposit Insurance Corporation ("FDIC"), there were more than 7,000 commercial banks and savings institutions in this asset range as of December 31, 2012. Jack Henry Banking currently supports almost 1,300 of these banks with its core information processing platforms and complementary products and services.

Symitar serves credit unions of all asset sizes. According to the Credit Union National Association ("CUNA"), there were approximately 7,100 domestic credit unions as of December 31, 2012. Symitar currently supports over 760 of these credit unions with core information processing platforms and complementary products and services.

ProfitStars serves financial services organizations of all asset sizes and charters and other diverse corporate entities. ProfitStars currently supports approximately 11,000 institutions with specialized solutions for generating additional revenue and growth, increasing security, mitigating operational risks, and controlling operating costs.

The FDIC reports the number of commercial banks and savings institutions declined 17 percent from the beginning of calendar year 2008 to the end of calendar year 2012. Although the number of banks declined at a 4 percent compound annual rate during this period, aggregate assets increased at a compound annual rate of 4 percent and totaled \$13.4 trillion as of December 31, 2012. There were no new bank charters issued in calendar year 2012, compared to 3 in calendar 2011. Comparing calendar years 2012 to 2011, mergers increased 5 percent.

CUNA reports the number of credit unions also declined 16 percent from the beginning of calendar year 2008 to the end of calendar year 2012. Although the number of credit unions declined at a 3 percent compound annual rate during this period, aggregate assets increased at a compound annual rate of 6 percent and totaled \$1.0 trillion as of December 31, 2012.

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

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



Maximize the day-to-day use of technology and return on technology investments; and  
Ensure full regulatory compliance.

5

---

Table of Contents

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

Mission Statement

JHA's mission is to protect and increase the value of its stockholders' investment by providing quality products and services to our customers. We perform this mission by:

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

Business Strategy

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

- Providing commercial banks and credit unions with core software systems that provide excellent functionality, and support in-house and outsourced operating environments with identical functionality.
- Expanding each core customer relationship by cross-selling complementary products and services that enhance the functionality provided by our core information processing systems.
- Maintaining a company-wide commitment to customer service that consistently exceeds our customers' expectations and generates high levels of customer retention.
- Capitalizing on our focused diversification acquisition strategy.

Acquisition Strategy

We have a disciplined approach to acquisitions and have been successful in supplementing our organic growth with strategic acquisitions, including 27 material acquisitions since the end of fiscal 1999. We continue to explore acquisitions that have the potential to:

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

We have not completed an acquisition since fiscal year 2010. After 37 years in business we have very few gaps in our product line, so it is increasingly difficult to find proven products or services that would enable our clients and prospects to better optimize their business opportunities or solve specific operational issues. In addition, we see few acquisition opportunities that would expand our market or enable our entry into adjacent markets within the financial services industry that are fairly priced or that we could assimilate into our company without material distractions. We have a solid track record of executing acquisitions from both a financial and operational standpoint and we will continue to pursue acquisition opportunities that support our strategic direction, complement and accelerate our organic growth, and generate long-term profitable growth for our shareholders. Until we identify appropriate acquisition opportunities, we will continue to find alternative ways to leverage our cash position to the benefit of our shareholders, such as repurchases of JKHY stock and payment of dividends.

Our three most recent material acquisitions were:

Fiscal Year	Company or Product Name	Products and Services
2010	iPay Technologies	Internet and telephone bill payment services
2010	PEMCO Technology Services	Payment processing solutions for credit unions
2010	Goldleaf Financial Solutions	Integrated technology and payment processing solutions

Solutions

Our proprietary solutions are marketed through three business brands:

Jack Henry Banking supports commercial banks with information and transaction processing platforms that provide enterprise-wide automation. We have three functionally distinct core bank processing systems and more than 100 complementary solutions, including business intelligence and bank management, retail and business



## Table of Contents

banking, internet banking and electronic funds transfer (“EFT”), risk management and protection, and item and document imaging solutions. Our banking solutions have state-of-the-art functional capabilities, and we can provide the hardware required by each software system. Our banking solutions can be delivered in-house or through outsourced implementation, and are backed by a company-wide commitment to provide exceptional personal service. Jack Henry Banking is a recognized market leader, currently supporting almost 1,300 banks with its technology platforms.

Symitar supports credit unions of all sizes with information and transaction processing platforms that provide enterprise-wide automation. Its solutions include two functionally distinct core processing systems and more than 50 complementary solutions, including business intelligence and credit union management, member and member business services, Internet banking and EFT, risk management and protection, and item and document imaging solutions. Our credit union solutions also have state-of-the-art functional capabilities, and we can provide the hardware required by each software system. Our credit union solutions can be delivered in-house or through outsourced implementation, and are also backed by our company-wide commitment to provide exceptional personal service. Symitar currently supports over 760 credit union customers.

ProfitStars is a leading provider of specialized products and services assembled through our focused diversification acquisition strategy. These solutions are compatible with a wide variety of information technology platforms and operating environments, and include proven solutions for generating additional revenue and growth, increasing security and mitigating operational risks, and/or controlling operating costs. ProfitStars’ products and services enhance the performance of financial services organizations of all asset sizes and charters, and diverse corporate entities with approximately 11,000 domestic and international customers. These distinct products and services can be implemented individually or as solution suites to address specific business problems and enable effective responses to dynamic industry trends.

We will continue to develop and maintain functionally robust, integrated solutions that are supported with high service levels; regularly enhanced using an interactive customer enhancement process; compliant with relevant regulations; updated with proven advances in technology; and consistent with JHA’s reputation as a premium product and service provider.

### Core Software Systems

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

Jack Henry Banking markets three core software systems to banks and Symitar markets two core software systems to credit unions. These core systems are available for in-house installation at customer sites, or financial institutions can outsource ongoing information processing to JHA.

Jack Henry Banking’s three core banking platforms are:

SilverLake® is a robust IBM® System i™-based system primarily designed for commercial-focused banks with assets ranging from \$500 million to \$30 billion. However, some progressive smaller banks and recently chartered start-up banks also select SilverLake. This system has been implemented by over 420 banks, and now automates approximately 6 percent of the domestic banks with assets less than \$30 billion.

CIF 20/20® is a parameter-driven, easy-to-use system that now supports over 650 banks ranging from de novo institutions to those with assets exceeding \$2 billion. CIF 20/20 is the most widely used IBM System i-based core processing system in the community bank market.

- Core Director® is a Windows®-based, client/server system that now supports over 210 banks ranging from de novo institutions to those with assets exceeding \$1 billion. Core Director is a cost-efficient operating platform and provides intuitive point-and-click operation.

Symitar’s two functionally distinct core credit union platforms are:

Episys® is a robust IBM System p™-based system primarily designed for credit unions with more than \$50 million in assets. It has been implemented by over 580 credit unions and is ranked as the system implemented by more credit unions with assets exceeding \$25 million than any other alternative.

Cruise® is a Windows-based, client/server system designed primarily for credit unions with less than \$50 million in assets. It has been implemented by almost 180 credit unions, is cost-efficient, and provides intuitive point-and-click,

drag-and-drop operation.

Customers electing to install our solutions in-house license the proprietary software systems based on initial license fees. The large majority of these customers pay ongoing annual software maintenance fees. We also re-market the hardware and peripheral equipment that is required by our software solutions; and we contract to perform software implementation, data conversion, training, ongoing support, and other related services. In-house customers generally

7

---

## Table of Contents

license our core software systems under a standard license agreement that provides a fully paid, nonexclusive, nontransferable right to use the software on a single computer at a single location.

Customers can eliminate the significant up-front capital expenditures required by in-house installations and the responsibility for operating information and transaction processing infrastructures by outsourcing these functions to JHA. Our core outsourcing services are provided through a national network of four data centers located in three physical locations. We also provide image item processing services from two host/archive sites and several key entry and balancing locations throughout the country. We print and mail customer statements for financial institutions from two regional printing and rendering centers. Customers electing to outsource their core processing typically sign contracts for five or more years that include transaction-based processing fees and minimum guaranteed payments during the contract period.

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

### Complementary Products and Services

We provide more than 100 complementary products and services that are sold to our core bank and credit union customers, and selectively sold by our ProfitStars division to financial services organizations that use other core processing systems.

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

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

### Hardware Systems

Our software systems operate on a variety of hardware platforms. We have established remarketing agreements with IBM Corporation, Avnet, Inc., and other hardware providers that allow JHA to purchase hardware at a discount and resell it directly to our customers. We currently sell the IBM Power Systems and System x servers; Lenovo workstations; Dell servers and workstations; Burroughs, RDM, Panini, Digital Check, Canon check scanners; and other devices that complement our software solutions.

### Implementation and Training

The majority of our core bank and credit union customers contract with us for implementation and training services in connection with their in-house systems.

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

Implementation and training services also are provided in connection with new customers outsourcing their information processing to JHA.

We also provide extensive initial and ongoing education to our customers. Know-It-All Education is a comprehensive training program that supports new customers with basic training and longtime customers with continuing education. The curricula provide the ongoing training financial institutions need to maximize the use of JHA's core and complementary products, to optimize ongoing system enhancements, and to fully understand dynamic year-end

legislative and regulatory requirements. Each basic, intermediate, and advanced course is delivered by system experts, supported by professional materials and training tools, and incorporates different educational media in a blended learning approach. Know-It-All Education supports distinct learning preferences with a variety of delivery channels,

8

---

## Table of Contents

including classroom-based courses offered in JHA's regional training centers, Internet-based live instruction, eLearning courses, on-site training, and train-the-trainer programs.

### Support and Services

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

• Exacting service standards;

• Trained support staffs available 24 hours-a-day, 365 days-a-year;

• Assigned account managers;

• Sophisticated support tools, resources, and technology;

• Broad experience converting diverse banks and credit unions to our core platforms from every competitive platform;

• Highly effective change management and control processes; and

• A best practices methodology developed and refined through the company-wide, day-to-day experience supporting more than 11,300 diverse clients.

Most in-house customers contract for annual software support services, and this represents a significant source of recurring revenue for JHA. These support services are typically priced at approximately 18 to 20 percent of the respective product's software license fee. These fees generally increase as customer assets increase and as additional complementary products are purchased. Annual software support fees are typically billed during June and are paid in advance for the entire fiscal year, with pro-ration for new product implementations that occur during the year.

Hardware support fees also are usually paid in advance for entire contract periods which typically range from one to five years. Most support contracts automatically renew unless the customer or JHA gives notice of termination at least 30 days prior to contract expiration.

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

JHA regularly measures customer satisfaction using formal annual surveys and more frequent online surveys initiated by routine support requests. This process shows that we consistently exceed our customers' service-related expectations.

### Backlog

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

Backlog as of June 30, 2013 totaled \$498.8 million, consisting of \$105.8 million for in-house products and services, and \$393.0 million for outsourcing services. Approximately \$311.7 million of the outsourcing services backlog as of June 30, 2013 is not expected to be realized during fiscal 2014 due to the long-term nature of many outsourcing contracts. Backlog as of June 30, 2012 totaled \$435.3 million, consisting of \$92.7 million for in-house products and services, and \$342.6 million for outsourcing services.

Our in-house backlog is subject to seasonal variations and can fluctuate quarterly. Our outsourcing backlog continues to experience growth based on new contracting activities and renewals of multi-year contracts, and although the appropriate portion of this revenue will be recognized during fiscal 2014, the backlog is expected to trend up gradually for the foreseeable future due to renewals of existing relationships and new contracting activities.

### Research and Development

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

Research and development expenses for fiscal years 2013, 2012, and 2011 were \$63.2 million, \$60.9 million, and \$63.4 million, respectively. Capitalized software for fiscal years 2013, 2012, and 2011 was \$51.3 million, \$37.9



million, and \$27.0 million, respectively.

9

---

## Table of Contents

### Sales and Marketing

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

Jack Henry Banking sells core processing systems and integrated complementary solutions to domestic commercial banks with assets up to \$30.0 billion. Symitar sells core processing systems and integrated complementary solutions to domestic credit unions of all asset sizes. The marketing and sales initiatives within these business lines are primarily focused on identifying banks and credit unions evaluating alternative core information and transaction processing solutions. ProfitStars sells specialized niche solutions that complement existing technology platforms to domestic financial services organizations of all asset sizes and charters.

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

jhaDirect sells specific complementary solutions, and business forms and supplies that are compatible with JHA's software solutions. jhaDirect's offering consists of more than 4,000 items, including tax and custom forms, ATM and teller supplies, check imaging and reader/sorter supplies, magnetic media, laser printers and supplies, loan coupon books, and much more. New items are regularly added in response to dynamic regulatory requirements and to support JHA's ever-expanding product and service suite.

JHA sells select products and services in the Caribbean and, as a result of recent acquisitions, Europe and South America. International sales account for less than one percent of JHA's total revenue in each of the three years ended June 30, 2013, 2012, and 2011.

### Competition

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

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

### Intellectual Property, Patents, and Trademarks

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

Regulatory Compliance

JHA maintains a strict corporate commitment to address compliance issues and implement requirements imposed by the federal regulators prior to the effective date of such requirements when adequate prior notice is given. JHA's comprehensive compliance program is provided by a team of compliance analysts and auditors that possess extensive regulatory agency and financial institution experience, and a thorough working knowledge of JHA and our solutions.

10

---

## Table of Contents

These compliance professionals leverage multiple channels to remain informed about potential and recently enacted regulatory requirements, including regular discussions on emerging topics with the Federal Financial Institutions Examination Council (“FFIEC”) examination team and training sessions sponsored by various professional associations. JHA has a proven process to inform internal departments of new and revised regulatory requirements. Upcoming regulatory changes also are presented to the Company’s product-specific change control boards and the necessary product changes are included in the ongoing product development cycle. A representative of JHA’s compliance organization serves on every change control board to ensure that the regulatory perspective is addressed in proposed product/service changes. We publish newsletters to keep our customers informed of regulatory changes that could impact their operations. Periodically, customer advisory groups are assembled to discuss significant regulatory changes, such as recent changes mortgage servicing rules promulgated by the Consumer Financial Protection Bureau. Internal audits of our systems, networks, operations, business recovery plans, and applications are conducted and specialized outside firms are periodically engaged to perform testing and validation of our systems, processes, plans and security. Ensuring that confidential information remains private is a high priority, and JHA’s initiatives to protect confidential information include regular third-party application reviews intended to better secure information access. Additional third-party reviews are performed throughout the organization, such as vulnerability tests, intrusion tests, and SSAE 16 reviews. The FFIEC conducts annual reviews throughout the Company and issues reports that are reviewed by the JHA Audit Committee of the Board of Directors.

### Government Regulation

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

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

JHA provides outsourced data and item processing through geographically dispersed OutLink™ Data Centers, electronic transaction processing through our PassPort and Enterprise Payments Solutions™, Internet banking through NetTeller, ProfitStar’s Teleweb, and MemberConnect™ online solutions, bill payment through iPay, network security monitoring through our Gladiator unit, Enterprise Payment Solutions and business recovery services through Centurion Disaster Recovery.

The services provided by our OutLink Data Centers are subject to examination by the Federal Financial Institution Examination Council regulators under the Bank Service Company Act. These examinations cover a wide variety of subjects, including system development, functionality, reliability, and security, as well as disaster preparedness and business recovery planning. Our outsourcing services are also subject to examination by state banking authorities on

occasion.

Employees

As of June 30, 2013 and 2012, JHA had 5,139 and 4,872 full-time employees, respectively. Of our full-time employees, approximately 889 are employed in the credit union segment of our business, with the remainder employed in the bank segment or in general and administrative functions that serve both segments. Our employees are not covered by a collective bargaining agreement and there have been no labor-related work stoppages.

11

---

## Table of Contents

### Available Information

JHA's Website is easily accessible to the public at [www.jackhenry.com](http://www.jackhenry.com). The "For Investors" portion of the Website provides key corporate governance documents, the code of conduct, an archive of press releases, and other relevant Company information. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other filings and amendments thereto that are made with the U.S. Securities and Exchange Commission (SEC) also are available free of charge on our Website as soon as reasonably practical after these reports have been filed with or furnished to the SEC.

### ITEM 1A. RISK FACTORS

The Company's business and the results of its operations are affected by numerous factors and uncertainties, some of which are beyond our control. The following is a description of some of the important risks and uncertainties that may cause the actual results of the Company's operations in future periods to differ from those expected or desired. Our business may be adversely impacted by U.S. and global market and economic conditions. We derive most of our revenue from products and services we provide to the financial services industry. If the economic environment worsens, we could face a reduction in demand from current and potential clients for our products and services, which could have a material adverse effect on our business, results of operations and financial condition. In addition, a growing portion of our revenue is derived from transaction processing fees, which depend heavily on levels of consumer and business spending. Deterioration in general economic conditions could reduce transaction volumes and the Company's related revenues.

Changes in the banking and credit union industry could reduce demand for our products. Cyclical fluctuations in economic conditions affect profitability and revenue growth at commercial banks and credit unions. Unfavorable economic conditions negatively affect the spending of banks and credit unions, including spending on computer software and hardware. Such conditions could reduce both our sales to new customers and upgrade/complementary product sales to existing customers. The Company could also experience the loss of customers due to their acquisition or financial failure.

Competition or general economic conditions may result in decreased demand or require price reductions or other concessions to customers which could result in lower margins and reduce income. We vigorously compete with a variety of software vendors in all of our major product lines. We compete on the basis of product quality, reliability, performance, ease of use, quality of support and services, integration with other products and pricing. Some of our competitors may have advantages over us due to their size, product lines, greater marketing resources, or exclusive intellectual property rights. If competitors offer more favorable pricing, payment or other contractual terms, warranties, or functionality, or if general economic conditions decline such that customers are less willing or able to pay the cost of our products and services, we may need to lower prices or offer favorable terms in order to successfully compete.

Security problems could damage our reputation and business. We rely on industry-standard encryption, network and Internet security systems, most of which we license from third parties, to provide the security and authentication necessary to effect secure transmission of data. Our services and infrastructure are increasingly reliant on the Internet. Computer networks and the Internet are vulnerable to unauthorized access, computer viruses and other disruptive problems such as denial of service attacks and other forms of cyber-terrorism. Individual personal computers can be stolen, and customer data media can be lost in shipment. Under state and proposed federal laws requiring consumer notification of security breaches, the costs to remediate security breaches can be substantial. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may render our security measures inadequate. Security risks may result in liability to us and also may deter financial institutions from purchasing our products. We will continue to expend significant capital and other resources protecting against the threat of security breaches, and we may need to expend resources alleviating problems caused by breaches.

Eliminating computer viruses and addressing other security problems may result in interruptions, delays or cessation of service to users, any of which could harm our business.

Failures associated with payment transactions could result in financial loss. The volume and dollar amount of payment transactions that we process is very large and continues to grow. We settle funds on behalf of financial institutions,

other businesses and consumers and receive funds from clients, card issuers, payment networks and consumers on a daily basis for a variety of transaction types. Transactions facilitated by us include debit card, credit card, electronic bill payment transactions, Automated Clearing House (“ACH”) payments and check clearing that supports consumers, financial institutions and other businesses. If the continuity of operations, integrity of processing, or ability to detect or prevent fraudulent payments were compromised in connection with payments transactions, this could result in financial as well as reputational loss to us. In addition, we rely on various financial institutions to provide ACH services in support of funds settlement for certain of our products. If we are unable to obtain such ACH services

in the future, that could have a material adverse effect on our business, financial position and results of operations. In addition, we may issue credit to consumers, financial institutions or other businesses as part of the funds settlement. A default on this credit by a counterparty could result in a financial loss to us.

Operational failure in our outsourcing facilities could expose us to damage claims, increase regulatory scrutiny and cause us to lose customers. Damage or destruction that interrupts our outsourcing operations could cause delays and failures in customer processing which could hurt our relationship with customers, expose us to damage claims, and cause us to incur substantial additional expense to relocate operations and repair or replace damaged equipment. Our back-up systems and procedures may not prevent disruption, such as a prolonged interruption of our transaction processing services. In the event that an interruption extends for more than several hours, we may experience data loss or a reduction in revenues by reason of such interruption. A significant interruption of service could have a negative impact on our reputation, result in damage claims, lead our present and potential customers to choose other service providers, and lead to increased regulatory scrutiny of the critical services we provide to financial institutions, with resulting increases in compliance burdens and costs.

The services we provide to our customers are subject to government regulation that could hinder the development of our business, increase costs, or impose constraints on the way we conduct our operations. The financial services industry is subject to extensive and complex federal and state regulation. As a supplier of services to financial institutions, portions of our operations are examined by the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the National Credit Union Association, among other regulatory agencies. These agencies regulate services we provide and the manner in which we operate, and we are required to comply with a broad range of applicable laws and regulations. In addition, existing laws, regulations, and policies could be amended or interpreted differently by regulators in a manner that imposes additional costs and has a negative impact on our existing operations or that limits our future growth or expansion. The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law in 2010, significantly changed the regulation of the financial services industry, producing new regulatory agencies and voluminous new regulations, many of which are still being written. These new regulations may require additional programming or other costly changes in our processes or personnel. Our customers are also regulated entities, and actions by regulatory authorities could determine both the decisions they make concerning the purchase of data processing and other services and the timing and implementation of these decisions. Concerns are growing with respect to the use, confidentiality, and security of private customer information. Regulatory agencies, Congress and state legislatures are considering numerous regulatory and statutory proposals to protect the interests of consumers and to require compliance with standards and policies that have not been defined.

The software we provide to our customers is also affected by government regulation. We are generally obligated to our customers to provide software solutions that comply with applicable federal and state regulations. In particular, numerous new regulations have been proposed and are still being written to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Substantial software research and development and other corporate resources have been and will continue to be applied to adapt our software products to this evolving, complex and often unpredictable regulatory environment. Our failure to provide compliant solutions could result in significant fines or consumer liability on our customers, for which we may bear ultimate liability.

Our failure to comply with regulations or to meet regulatory expectations could adversely affect our business and results of operations. While much of our operations are not directly subject to regulations applicable to financial institutions, as a provider of processing services to such institutions, we are examined on a regular basis by various regulatory authorities. If we fail to comply with applicable regulations or guidelines, we could be subject to regulatory actions or rating changes and suffer harm to our customer relationships and reputation. Such failures could require significant expenditures to correct and could negatively affect our ability to retain customers and obtain new customers.

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



If others claim that we have infringed their intellectual property rights, we could be liable for significant damages or could be required to change our processes. We have agreed to indemnify many of our customers against claims that our products and services infringe on the proprietary rights of others. We anticipate that the number of infringement claims will increase as the number of our software solutions and services increases and the functionality of our products and services expands. Any such claims, whether with or without merit, could be time-consuming, result in costly litigation and may not be resolved on terms favorable to us. If our defense of such claims is not successful,

we could be forced to pay damages or could be subject to injunctions that would cause us to cease making or selling certain applications or force us to redesign applications.

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

Consolidation and failures of financial institutions will continue to reduce the number of our customers and potential customers. Our primary market consists of approximately 7,000 commercial and savings banks and 7,100 credit unions. The number of commercial banks and credit unions has decreased because of failures over the last few years and mergers and acquisitions over the last several decades and is expected to continue to decrease as more consolidation occurs.

Acquisitions may be costly and difficult to integrate. We have acquired a number of businesses in the last decade and will continue to explore acquisitions in the future. We may not be able to successfully integrate acquired companies. We may encounter problems with the integration of new businesses including: financial control and computer system compatibility; unanticipated costs; unanticipated quality or customer problems with acquired products or services; differing regulatory and industry standards; diversion of management's attention; adverse effects on existing business relationships with suppliers and customers; loss of key employees; and significant amortization expenses related to acquired assets. To finance future acquisitions, we may have to increase our borrowing or sell equity or debt securities to the public. If we fail to integrate our acquisitions, our business, financial condition and results of operations could be materially and adversely affected. Failed acquisitions could also produce material and unpredictable impairment charges as we periodically review our acquired assets.

The loss of key employees could adversely affect our business. We depend on the contributions and abilities of our senior management. Our Company has grown significantly in recent years and our management remains concentrated in a small number of key employees. If we lose one or more of our key employees, we could suffer a loss of sales and delays in new product development, and management resources would have to be diverted from other activities to compensate for this loss. We do not have employment agreements with any of our executive officers.

We may not be able to manage growth. We have grown both internally and through acquisitions. Our expansion has and will continue to place significant demands on our administrative, operational, financial and management personnel and systems. We may not be able to enhance and expand our product lines, manage costs, adapt our infrastructure and modify our systems to accommodate future growth.

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

Failure to achieve favorable renewals of service contracts could negatively affect our outsourcing business. Our contracts with our customers for outsourced data processing services generally run for a period of five or more years. Because of the rapid growth of our outsourcing business over the last five years, we will experience greater numbers of these contracts coming up for renewal over the next few years. Renewal time presents our customers with the opportunity to consider other providers or to renegotiate their contracts with us. If we are not successful in achieving high renewal rates upon favorable terms, our outsourcing revenues and profit margins will suffer.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

#### ITEM 2. PROPERTIES

We own 154 acres located in Monett, Missouri on which we maintain nine office buildings, plus shipping & receiving and maintenance buildings. We also own buildings in Houston, Texas; Allen, Texas; Albuquerque, New Mexico; Birmingham, Alabama; Lenexa, Kansas; Angola, Indiana; Shawnee Mission, Kansas; Rogers, Arkansas; Oklahoma City, Oklahoma; Elizabethtown, Kentucky; Springfield, Missouri and San Diego, California. Our owned facilities represent approximately 1,000,000 square feet of office space in ten states. We have 37 leased office facilities in 21

states, which total approximately 378,000 square feet. All of our owned and leased office facilities are for normal business purposes.

Of our facilities, the credit union segment uses office space totaling approximately 162,000 square feet in ten facilities. The majority of our San Diego, California offices are used in the credit union segment, as are portions of nine other office facilities. The remainder of our leased and owned facilities, approximately 1,216,000 square feet of office space, is primarily devoted to serving our bank segment or supports our whole business.

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

### ITEM 3. LEGAL PROCEEDINGS

Information with respect to our legal proceedings may be found in Note 6 to the Financial Statements in Item 8, which is incorporated herein by reference.

### ITEM 4. MINE SAFETY DISCLOSURES

None.

## PART II

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

The Company's common stock is quoted on the NASDAQ Global Select Market ("NASDAQ"), formerly known as the NASDAQ National Market, 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 2013		Fiscal 2012	
	High	Low	High	Low
Fourth Quarter	\$48.24	\$37.90	\$34.76	\$32.17
Third Quarter	46.31	39.60	35.37	32.11
Second Quarter	40.71	37.12	34.50	27.33
First Quarter	38.22	33.92	31.15	24.41

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 June 30, 2013 and 2012 are as follows:

	Fiscal 2013	Fiscal 2012
Fourth Quarter	\$0.200	\$0.115
Third Quarter	0.130	0.115
Second Quarter	0.115	0.105
First Quarter	0.115	0.105

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.

Information regarding the Company's equity compensation plans is set forth under the caption "Equity Compensation Plan Information" in the Company's definitive Proxy Statement and is incorporated herein by reference.

On August 16, 2013, there were approximately 54,000 holders of the Company's common stock. On that same date the last sale price of the common shares as reported on NASDAQ was \$50.47 per share.

#### Issuer Purchases of Equity Securities

The following shares of the Company were repurchased during the quarter ended June 30, 2013:

Table of Contents

	Total Number of Shares Purchased	Average Price of Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans <sup>(1)</sup>
April 1 - April 30, 2013	—	\$—	—	4,140,316
May 1 - May 31, 2013	436,034	46.98	436,034	8,704,282
June 1 - June 30, 2013	467,555	46.74	467,555	8,236,727
Total	903,589	46.86	903,589	8,236,727

<sup>(1)</sup> Stock repurchase authorizations approved by the Company's Board of Directors as of April 1, 2013 was 20.0 million shares. This was increased by 5.0 million shares on May 3, 2013. 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, 2013, 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:

	2008	2009	2010	2011	2012	2013
JKHY	100.00	97.64	114.10	145.41	169.58	234.60
Peer Group	100.00	97.18	109.28	146.52	171.16	214.21
S & P 500	100.00	73.79	84.43	110.35	116.36	140.32

This comparison assumes \$100 was invested on June 30, 2008, 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., Cerner Corp., DST Systems, Inc., Euronet Worldwide, Inc., Fair Isaac Corp., Fidelity National

Table of Contents

Information Services, Inc., Fiserv, Inc., SEI Investments Company, Telecommunications Systems, Inc., and Tyler Technologies Corp.

## ITEM 6. SELECTED FINANCIAL DATA

## Selected Financial Data

(In Thousands, Except Per Share Data)

	YEAR ENDED JUNE 30,				
	2013	2012	2011	2010	2009
Income Statement Data					
Revenue (1)	\$1,129,386	\$1,027,109	\$966,897	\$836,586	\$745,593
Income from continuing operations	\$176,645	\$154,984	\$137,471	\$117,870	\$103,102
Basic net income per share, continuing operations	\$2.05	\$1.79	\$1.60	\$1.39	\$1.23
Diluted net income per share, continuing operations	\$2.04	\$1.78	\$1.59	\$1.38	\$1.22
Dividends declared per share	\$0.56	\$0.44	\$0.40	\$0.36	\$0.32
Balance Sheet Data					
Working capital	\$35,627	\$66,406	\$(26,561 )	\$(51,283 )	\$15,239
Total assets	\$1,629,155	\$1,619,492	\$1,505,797	\$1,560,560	\$1,050,700
Long-term debt	\$7,366	\$106,166	\$127,939	\$272,732	\$—
Stockholders' equity	\$1,072,169	\$983,056	\$879,776	\$750,372	\$626,506

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

## ITEM 7. 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 approximately 5,200 associates nationwide, and is a leading provider of technology solutions and payment processing services primarily for financial services organizations. Its solutions serve more than 11,300 customers and are marketed and supported through three primary brands. Jack Henry Banking® supports banks ranging from community to mid-tier, multi-billion dollar institutions 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 specialized products and services that enable financial institutions of every asset size and charter, and diverse corporate entities outside the financial services industry to mitigate and control risks, optimize revenue and growth opportunities, and contain costs. JHA's integrated solutions are available for in-house installation and outsourced and 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. 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 random 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.

## Table of Contents

The majority of our revenue is derived from recurring outsourcing fees and transaction processing fees that predominantly have contract terms of five years or greater. Support and service fees also include in-house maintenance fees on primarily annual contract terms. 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 \$745,593 in fiscal 2009 to \$1,129,386 in fiscal 2013. Income from continuing operations has grown from \$103,102 in fiscal 2009 to \$176,645 in fiscal 2013. This growth has resulted primarily from internal expansion supplemented by strategic acquisitions.

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 areas of our company to accomplish our ongoing objective of providing the best integrated solutions, products and customer service available to our clients. We are currently cautiously optimistic regarding ongoing economic improvement and expect our clients to continue investing in our products and services that are needed to improve their operating efficiencies and performance. We anticipate consolidation within the financial services industry to continue, including some reduced amount of bank failures and an increasing amount of merger and acquisition activity. Regulatory conditions and legislation such as the Dodd-Frank Wall Street Reform and Consumer Protection Act will continue to impact the financial services industry and potentially motivate some financial institutions to postpone discretionary spending.

A detailed discussion of the major components of the results of operations follows. All dollar amounts are in thousands and discussions compare fiscal 2013 to fiscal 2012 and compare fiscal 2012 to fiscal 2011.

## RESULTS OF OPERATIONS

### FISCAL 2013 COMPARED TO FISCAL 2012

In fiscal 2013, revenues increased 10% or \$102,277 compared to the prior year due primarily to strong growth in all components of support and service revenues, particularly our electronic payment services and our outsourcing services. The growth in revenue and the Company's continued focus on cost management continued to drive up gross margins, which has resulted in a 13% increase in gross profit.

Operating expenses increased 13% for the year mainly due to expenses related to the impact of widespread flooding caused by Hurricane Sandy on our Lyndhurst, New Jersey item processing center. Expenses related to this event totaled \$12,475 for fiscal 2013, net of \$2,390 insurance recoveries received in the year. Insurance claims have been made by JHA to recover the portions of the remaining expenses incurred related to Hurricane Sandy. These open insurance recovery claims have not been finalized and no amounts have been recorded in the financial results for the year ended June 30, 2013. The amount recovered will likely be less than the amount of the expense.

Increased revenue and gross margins, partially offset by increased operating expenses, resulted in a combined 14% increase in net income for fiscal 2013.

We move into fiscal 2014 following record revenue achieved in fiscal 2013. Significant portions of our business continue to come from 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 and efficiency. 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 to extend our customer base and produce returns for our stockholders.



Table of Contents

## REVENUE

License Revenue	Year Ended		%
	June 30,		Change
	2013	2012	
License	\$54,818	\$54,811	<1%
Percentage of total revenue	5	% 5	%

License revenue represents the sale and delivery of application software systems contracted with us by the customer. 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.

License revenue has remained consistent to last year due to strong results from our core and complementary Credit Union products being offset by reduced revenue from our Alogent® products (our suite of deposit and image capture products targeted at large financial institutions) which reduced from a particularly strong prior year.

While license fees will fluctuate, recent trends indicate that our customers are increasingly electing to contract for our products via outsourced delivery rather than a traditional license as our outsourced delivery does not require an up-front capital investment in license fees. We expect this trend to continue in the long term.

Support and Service Revenue	Year Ended		%
	June 30,		Change
	2013	2012	
Support and service	\$1,015,211	\$909,176	12
Percentage of total revenue	90	% 89	%
	Year over Year Change		
	\$ Change	% Change	
In-House Support & Other Services	\$12,677	4	%
Electronic Payment Services	58,052	17	%
Outsourcing Services	23,017	12	%
Implementation Services	12,289	17	%
Total Increase	\$106,035		

Support and service revenues are generated from annual support to assist the customer in operating their systems and to enhance and update the software, electronic payment services, outsourced data processing services and implementation services (including conversion, installation, configuration and training). There was growth in all components of support and service revenue in fiscal 2013.

In-house support and other services revenue increased due to annual maintenance fee increases as our customers' assets grow. Revenue from our complementary products has also grown as the total number of supported in-house products has grown.

Electronic payment services continue to experience the largest growth. The revenue increases are attributable to strong performance across debit/credit card processing services, online bill payment services and ACH processing.

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. We expect the trend towards outsourced product delivery to benefit outsourcing services revenue for the foreseeable future. Revenues from outsourcing services are typically earned under multi-year service contracts and therefore provide a long-term stream of recurring revenues.

Implementation services revenue increased due mainly to increased implementations of our core Banking and Credit Union platform products and related complementary products, coupled with higher merger conversion revenues from our core banking platform and outsourcing products.

Table of Contents

Hardware Revenue	Year Ended		% Change
	June 30, 2013	2012	
Hardware	\$59,357	\$63,122	(6)%
Percentage of total revenue	5	% 6	%

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 the number of third party hardware systems and components delivered. Although there will be continuing fluctuations, we expect an overall decreasing trend in hardware sales due to the change in sales mix towards outsourcing contracts (which typically do not include hardware) and the deflationary trend of computer prices generally.

**COST OF SALES AND GROSS PROFIT**

Cost of license represents the cost of software from third party vendors through remarketing agreements associated with license fee revenue. These costs are recognized when license revenue is recognized. Cost of support and service represents costs associated with conversion and implementation efforts, ongoing support for our in-house customers, operation of our data and item centers providing services for our outsourced customers, electronic payment services and direct operating costs. These costs are recognized as they are incurred. Cost of hardware consists of the direct and indirect costs of purchasing the equipment from the manufacturers and delivery to our customers. These costs are recognized at the same time as the related hardware revenue is recognized. Ongoing operating costs to provide support to our customers are recognized as they are incurred.

	Year Ended		% Change
	June 30, 2013	2012	
Cost of License	\$4,824	\$6,111	(21)%
Percentage of total revenue	<1%	1	%
License Gross Profit	\$49,994	\$48,700	3%
Gross Profit Margin	91	% 89	%
Cost of support and service	\$603,920	\$551,285	10%
Percentage of total revenue	53	% 54	%
Support and Service Gross Profit	\$411,291	\$357,891	15%
Gross Profit Margin	41	% 39	%
Cost of hardware	\$43,650	\$45,983	(5)%
Percentage of total revenue	4	% 4	%
Hardware Gross Profit	\$15,707	\$17,139	(8)%
Gross Profit Margin	26	% 27	%
TOTAL COST OF SALES	\$652,394	\$603,379	8%
Percentage of total revenue	58	% 59	%
TOTAL GROSS PROFIT	\$476,992	\$423,730	13%
Gross Profit Margin	42	% 41	%

Cost of license consists of the direct costs of third party software. Sales of third party software products decreased compared to last year, leading to lower related costs and slightly increased gross profit margins.

Gross profit margins in support and service increased due to economies of scale realized from increased revenues, particularly in electronic payment services.

In general, changes in cost of hardware trend consistently with hardware revenue. For the fiscal year, margins have decreased slightly, being impacted by reduced sales of higher margin products related to hardware upgrades.



Table of Contents

## OPERATING EXPENSES

Selling and Marketing	Year Ended		% Change	
	June 30, 2013	2012		
Selling and marketing	\$81,619	\$76,500	7	%
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 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 for the year have increased mainly due to higher commission expenses. This is in line with increased sales volume of long term service contracts on which commissions are paid as a percentage of total revenue.

Research and Development	Year Ended		% Change	
	June 30, 2013	2012		
Research and development	\$63,202	\$60,876	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. Typically, we upgrade our various core and complementary software applications once per year. 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 increased salary costs.

General and Administrative	Year Ended		% Change	
	June 30, 2013	2012		
General and administrative	\$66,624	\$50,119	33	%
Percentage of total revenue	6	% 5	%	

General and administrative costs include all expenses related to finance, legal, human resources, plus all administrative costs. General and administrative expenses increased compared to last year due mainly to \$12,475 of expenses, net of \$2,390 insurance recoveries received, related to the impact of widespread flooding caused by Hurricane Sandy on our Lyndhurst, New Jersey item processing center.

INTEREST INCOME AND EXPENSE	Year Ended		% Change	
	June 30, 2013	2012		
Interest Income	\$640	\$1,176	(46)	)%
Interest Expense	\$(6,337)	\$(5,743)	10	)%

Interest income was unusually high in the prior year, mainly from contractual interest income on previously uncollected deconversion revenues. Interest expense increased from the prior year due to costs related to the early payment of the term loan during fiscal 2013.

## PROVISION FOR INCOME TAXES

The provision for income taxes was \$83,205 or 32.0% of income before income taxes in fiscal 2013 compared with \$76,684 or 33.1% of income before income taxes in fiscal 2012. The decrease in the effective tax rate was primarily due to the completion of the Internal Revenue Service audit of the tax returns for the fiscal years June 30, 2010 and 2011 which resulted in the recognition of previously-unrecognized tax benefits, and the retroactive extension of the Research and Experimentation Tax Credit through December 31, 2013.

Table of Contents

## NET INCOME

Net income increased from \$154,984, or \$1.78 per diluted share in fiscal 2012 to \$176,645, or \$2.04 per diluted share in fiscal 2013.

## FISCAL 2012 COMPARED TO FISCAL 2011

In fiscal 2012, revenues increased 6% or \$60,212 compared to the prior year due primarily to strong growth in our electronic payment services and our outsourcing services, as well as continued revenue growth in all three of our components of revenue (license, support and service, and hardware). During fiscal 2012, the Company continued to focus on cost management and also reduced interest cost through our sustained repayment of long-term debt. These changes have resulted in a 13% increase in net income.

The current condition of the U.S. financial markets continues to impact the overall demand and spending for new products and services by some of our customers. The profitability of many financial institutions continues to improve, but in many cases remains low and this appears to have resulted in some reduction of demand for new products and services. During the past four years, a number of financial institutions have closed or merged due to regulatory action. We believe that regulatory closings will continue to decline through fiscal 2013, absent a significant downturn in the economy. Furthermore, the increase in bank failures and forced consolidations has been, to some extent, offset by a general decline in the level of acquisition activity among financial institutions.

## REVENUE

License Revenue	Year Ended		% Change	
	June 30,			
	2012	2011		
License	\$54,811	\$53,067	2	%
Percentage of total revenue	5	% 6		%

License revenue represents the sale and delivery of application software systems contracted with us by the customer. 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.

The increase in license revenue is due to strong results from our Silverlake® and Episys® core systems and related complementary products including 4iSight™ Item Imaging and our ProfitStar® financial management and budgeting solutions. The increase was partially offset by reduced revenue from our Alogent® products (our suite of deposit and image capture products targeted at large financial institutions) and our Argo products (our suite of retail solutions, including branch sales automation) which have both reduced slightly from a particularly strong prior year.

While license fees will fluctuate, recent trends indicate that our customers are increasingly electing to contract for our products via outsourced delivery rather than a traditional license as our outsourced delivery does not require an up-front capital investment in license fees. We expect this trend to continue in the long term.

Support and Service Revenue	Year Ended		% Change	
	June 30,			
	2012	2011		
Support and service	\$909,176	\$852,253	7	%
Percentage of total revenue	89	% 88		%
	Year Over Year Change			
	\$ Change	% Change		
In-House Support & Other Services	\$6,891	2		%
Electronic Payment Services	36,546	12		%
Outsourcing Services	9,560	5		%
Implementation Services	3,926	6		%
Total Increase	\$56,923			

Support and service revenues are generated from annual support to assist the customer in operating their systems and to enhance and update the software, electronic payment services, outsourced data processing services and

implementation services (including conversion, installation, configuration and training). There was strong growth in support and service revenue in fiscal 2012.

22

---

Table of Contents

In-house support and other services revenue increased due to annual maintenance fee increases (as our customers' assets have grown) and increased revenues from our system conversion services. Revenue from our complementary products has also grown as the total number of supported in-house products has grown.

Electronic payment services continue to experience the largest growth. The revenue increases are attributable to strong performance across our electronic payment products, particularly from debit/credit card processing services, online bill payment services and ACH processing.

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. We expect the trend towards outsourced product delivery to benefit outsourcing services revenue for the foreseeable future. Revenues from outsourcing services are typically earned under multi-year service contracts and therefore provide a long-term stream of recurring revenues.

Implementation services revenue increased due mainly to increased Episys® credit union core product implementation revenues as well as higher online bill payment services implementation revenues.

Hardware Revenue	Year Ended		% Change	
	June 30, 2012	2011		
Hardware	\$63,122	\$61,577	3	%
Percentage of total revenue	6	% 6	%	

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 increased slightly due to an increase in the number of third party hardware systems and components delivered as existing customers upgraded their hardware systems. Although there will be continuing fluctuations, we expect there to be an overall decreasing trend in hardware sales due to the change in sales mix towards outsourcing contracts (which typically do not include hardware) and the deflationary trend of computer prices generally.

**COST OF SALES AND GROSS PROFIT**

Cost of license represents the cost of software from third party vendors through remarketing agreements associated with license fee revenue. These costs are recognized when license revenue is recognized. Cost of support and service represents costs associated with conversion and implementation efforts, ongoing support for our in-house customers, operation of our data and item centers providing services for our outsourced customers, electronic payment services and direct operating costs. These costs are recognized as they are incurred. Cost of hardware consists of the direct and indirect costs of purchasing the equipment from the manufacturers and delivery to our customers. These costs are recognized at the same time as the related hardware revenue is recognized. Ongoing operating costs to provide support to our customers are recognized as they are incurred.

Table of Contents

Cost of Sales and Gross Profit	Year Ended		% Change	
	June 30, 2012	2011		
Cost of License	\$6,111	\$6,285	(3	)%
Percentage of total revenue	1	% 1	%	
License Gross Profit	\$48,700	\$46,782	4	%
Gross Profit Margin	89	% 88	%	
Cost of support and service	\$551,285	\$515,917	7	%
Percentage of total revenue	54	% 53	%	
Support and Service Gross Profit	\$357,891	\$336,336	6	%
Gross Profit Margin	39	% 39	%	
Cost of hardware	\$45,983	\$45,361	1	%
Percentage of total revenue	4	% 5	%	
Hardware Gross Profit	\$17,139	\$16,216	6	%
Gross Profit Margin	27	% 26	%	
TOTAL COST OF SALES	\$603,379	\$567,563	6	%
Percentage of total revenue	59	% 59	%	
TOTAL GROSS PROFIT	\$423,730	\$399,334	6	%
Gross Profit Margin	41	% 41	%	

Cost of license depends greatly on third party reseller agreement software vendor costs. During the current year, sales of third party software products has increased slightly compared to last year, but has decreased as a percentage of total license revenue leading to lower related costs and slightly increased gross profit margins.

Cost of support and service increased commensurate with the increase in support and services revenue, as evidenced by the consistent gross profit margins.

In general, changes in cost of hardware trend consistently with hardware revenue. For the fiscal year, increased sales of higher margin products related to hardware upgrades has driven higher hardware margins compared to last year.

**OPERATING EXPENSES**

Selling and Marketing	Year Ended		% Change	
	June 30, 2012	2011		
Selling and marketing	\$76,500	\$68,061	12	%
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 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 for the year have increased mainly due to higher commission expenses. This is in line with increased sales volume of long term service contracts on which commissions are paid as a percentage of total revenue.

Research and Development	Year Ended		% Change	
	June 30, 2012	2011		
Research and development	\$60,876	\$63,395	(4	)%
Percentage of total revenue	6	% 7	%	

We devote significant effort and expense to develop new software, service products and continually upgrade and enhance our existing offerings. Typically, we upgrade our various core and complementary software applications once



Table of Contents

per year. 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 decreased primarily due to increased capitalization of costs for ongoing software development projects, which has also driven the decreases in the percentage of total revenue.

General and Administrative	Year Ended		% Change	
	June 30, 2012	2011		
General and administrative	\$50,119	\$51,561	(3	)%
Percentage of total revenue	5	% 5	%	

General and administrative costs include all expenses related to finance, legal, human resources, plus all administrative costs. General and administrative expenses decreased due mainly to decreased legal expenses compared to the same period last year.

## INTEREST INCOME (EXPENSE)

INTEREST INCOME AND EXPENSE	Year Ended		% Change	
	June 30, 2012	2011		
Interest Income	\$1,176	\$125	841	%
Interest Expense	\$(5,743	) \$(8,930	) (36	)%

The significant increase in interest income in the current year relates mainly to contractual interest income on previously uncollected deconversion revenues of \$782 following a favorable legal judgment. The related deconversion revenue not previously recognized of \$1,593 is included in support and services revenue in the current fiscal year.

Interest expense decreased due mainly to decreases in the outstanding balances on our revolving credit facility and term loan through fiscal 2012, which have reduced interest costs this year compared to last year.

## PROVISION FOR INCOME TAXES

The provision for income taxes was \$76,684 or 33.1% of income before income taxes in fiscal 2012 compared with \$70,041 or 33.8% of income before income taxes in fiscal 2011. The decrease in the effective tax rate was primarily due to the completion of the Internal Revenue Service audit of the tax returns for the fiscal years June 30, 2008 and 2009, partially offset by the Research and Experimentation Tax Credit not being extended, effective December 31, 2011.

## NET INCOME

Net income increased, moving from \$137,471, or \$1.59 per diluted share in fiscal 2011 to \$154,984, or \$1.78 per diluted share in fiscal 2012.

## REPORTABLE SEGMENT DISCUSSION

The Company is a provider of integrated computer systems that perform data processing (available for in-house installations or outsourced services) for banks and credit unions. 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

	2013	% Change	2012	% Change	2011	
Revenue	\$848,058	9	% \$778,455	4	% \$746,892	
Gross profit	\$354,373	10	% \$321,515	2	% \$315,994	
Gross profit margin	42	%	41	%	42	%

In fiscal 2013, revenue increased 9% overall in the Bank systems and services reportable segment compared to the prior year. The increase was due mainly to 17% growth in electronic transaction processing services and an 11% increase in outsourcing services. The slight increase in margin is driven mainly by increased support and service margins due to economies of scale realized from increased revenues, particularly in electronic payment services.



Table of Contents

In fiscal 2012, revenue increased 4% overall in the Bank systems and services reportable segment compared to the prior year. The increase was due mainly to 12% growth in electronic transaction processing services and a 4% increase in outsourcing services. The increasing proportion of support and service revenue at 40% gross margin has driven the small decrease in gross margin compared to last year.

## Credit Union Systems and Services

	2013	% Change	2012	% Change	2011
Revenue	\$281,328	13	\$248,654	13	\$220,005
Gross profit	\$122,619	20	\$102,215	23	\$83,340
Gross profit margin	44	%	41	%	38

In fiscal 2013, revenue in the Credit Union systems and services reportable segment has increased in all three of our revenue areas (license, support & service and hardware). Support & service revenues grew 13% through increases in all components, particularly electronic payment services due to the continuing growth of our transaction processing and debit/credit card processing services and outsourcing services. Gross profit margins for the Credit Union segment have increased mainly due to increased license revenue from licenses with no related costs and increased support and service margins due to economies of scale realized from increased revenues.

In fiscal 2012, revenue in the Credit Union systems and services reportable segment has increased in all three of our revenue areas (license, support & service and hardware). Support & service revenues grew 14% through increases in all components, particularly electronic payment services due to the continuing growth of our transaction processing and debit/credit card processing services and implementation services due to increased Episys® installations. Gross profit margins for the Credit Union segment have increased mainly due to increased license revenue (achieving 93% margin) and increased electronic payment services margins from incremental transaction-based revenues.

## LIQUIDITY AND CAPITAL RESOURCES

We have historically generated positive cash flow from operations and have generally used funds generated from operations and short-term borrowings on our revolving credit facility to meet capital requirements. We expect this trend to continue in the future.

The Company's cash and cash equivalents decreased to \$127,905 at June 30, 2013 from \$157,313 at June 30, 2012. This is primarily due to repayment of the remaining \$127,500 on the term loan.

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

	Year Ended June 30,		
	2013	2012	2011
Net income	\$176,645	\$154,984	\$137,471
Non-cash expenses	136,955	125,377	116,788
Change in receivables	(12,739)	(10,795)	940
Change in deferred revenue	8,597	896	19,487
Change in other assets and liabilities	(284)	(5,912)	(34,554)
Net cash provided by operating activities	\$309,174	\$264,550	\$240,132

Cash provided by operating activities increased 17% compared to last year. Cash from operations is primarily used to repay debt, pay dividends, repurchase stock and fund acquisitions and other capital expenditures. The increase compared to last year reflects increased earnings driven by continued strong revenue growth and ongoing cost control. Cash used in investing activities for the fiscal year ended June 30, 2013 totaled \$97,244 and included capital expenditures on facilities and equipment totaled \$46,256, which included spend on our online bill payment data center migration and an aircraft purchase. Other uses of cash included \$51,332 for the development of software and \$186 for the acquisition of customer contracts. These expenditures have been partially offset by \$530 proceeds from sale of assets. Cash used in investing activities for the fiscal year ended June 30, 2012 totaled \$76,262. This included capital expenditures on facilities and equipment of \$41,441, \$37,873 for the development of software and \$2,772 proceeds from sale of assets, mainly from an aircraft sale.

Financing activities used cash of \$241,338 during the current year. There were cash outflows to repay long and short term borrowings on our credit facilities of \$145,180, dividends paid to stockholders of \$48,202 and repurchases of

treasury shares of \$58,126. Cash used was partially offset by \$10,170 net proceeds from the issuance of stock and tax related to stock-based compensation. During fiscal 2012, net cash used by financing activities was \$94,100 and

## Table of Contents

included \$35,280 repayments on our lines of credit, \$34,371 for the repurchase of treasury shares and \$38,128 in dividend payments to shareholders, partially offset by \$13,679 of net proceeds from the issuance of stock and tax related to stock-based compensation.

The Company generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures in the fiscal year were made primarily for additional equipment and the improvement of existing facilities. These additions were funded from cash generated by operations.

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or 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, 2013, there were 16,754 shares in treasury stock and the Company had the remaining authority to repurchase up to 8,237 additional shares. The total cost of treasury shares at June 30, 2013 is \$402,082. During fiscal 2013, the Company repurchased 1,302 treasury shares for \$58,126. At June 30, 2012, there were 15,452 shares in treasury stock and the Company had the remaining authority to repurchase up to 4,539 additional shares. The total cost of treasury shares at June 30, 2012 was \$343,956. During fiscal 2012, the Company repurchased 1,045 treasury shares for \$34,371.

On August 26, 2013, the Company's Board of Directors declared a cash dividend of \$0.20 per share on its common stock, payable on September 27, 2013 to shareholders of record on September 6, 2013. Current funds from operations are adequate for this purpose. The Board has indicated that it plans to continue paying dividends as long as the Company's financial picture continues to be favorable.

### Revolving credit facility

The long term revolving credit facility allows for borrowings of up to \$150,000, which may be increased by the Company at any time until maturity to \$250,000. The revolving loan terminates June 4, 2015. At June 30, 2013, there was no outstanding revolving loan balance.

### Term loan

The term loan had an original principal balance of \$150,000, with quarterly principal payments of \$5,625 that began on September 30, 2011. The remaining balance was repaid in full during fiscal 2013 and at June 30, 2013, there was no outstanding balance.

Each of the above loans bear interest at a variable rate equal to (a) a rate based on LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate or (c) LIBOR plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The loans are secured by pledges of capital stock of certain subsidiaries of the Company. The loans are also 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, 2013, the Company was in compliance with all such covenants.

### Capital leases

The Company has entered into various capital lease obligations for the use of certain computer equipment. Long term capital lease obligations were entered into of which \$14,161 remains outstanding at June 30, 2013 and \$6,795 will be maturing within the next twelve months. The Company also has short term capital lease obligations totaling \$1,014 at June 30, 2013.

### Other lines of credit

The Company renewed an unsecured bank credit line on April 29, 2012 which provides for funding of up to \$5,000 and bears interest at the prime rate less 1% (2.25% at June 30, 2013). The credit line was renewed through April 29, 2014. At June 30, 2013, no amount was outstanding.

## OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

At June 30, 2013, the Company's total off balance sheet contractual obligations were \$59,259. This balance consists of \$22,066 of long-term operating leases for various facilities and equipment which expire from 2014 to 2019 and \$37,193 of purchase commitments related to property and equipment. The contractual obligations table below excludes \$4,959 of liabilities for uncertain tax positions as we are unable to reasonably estimate the ultimate amount or timing of settlement.



Table of Contents

Contractual obligations by period as of June 30, 2013	Less than 1 year	1-3 years	3-5 years	More than 5 years	TOTAL
Operating lease obligations	\$6,673	\$10,012	\$5,348	\$33	\$22,066
Capital lease obligations	7,809	5,768	1,598	—	15,175
Notes payable, including accrued interest	120	—	—	—	120
Purchase obligations	28,243	8,950	—	—	37,193
Total	\$42,845	\$24,730	\$6,946	\$33	\$74,554

**RECENT ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-05, Comprehensive Income in June 2011, which was effective for the Company beginning July 1, 2012 and ASU No. 2013-02, Comprehensive Income in February 2013, which was effective for the Company beginning January 1, 2013. The updated guidance adjusted the reporting requirements related to comprehensive income. Adoption of these updates did not have any impact on the financial statements.

In September 2011, the FASB issued ASU No. 2011-08, Testing Goodwill for Impairment, which was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The amendments in the update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The provisions in this update were effective for the Company beginning July 1, 2012 and its adoption did not have any impact on the financial statements.

In July 2012, the FASB issued ASU No. 2012-02, Intangibles - Goodwill and Other. The amendments in the update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The provisions in this update will be effective for the Company beginning July 1, 2013 and we do not anticipate that this update will materially impact the financial statements.

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes. The amendments update guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The provisions in this update will be effective for the Company beginning January 1, 2014 and we do not anticipate that this update will materially impact the financial statements.

**CRITICAL ACCOUNTING POLICIES**

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States ("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 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 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 unearned revenue reflected in the financial statements.



## Table of Contents

**License Fee Revenue.** For software license agreements that do not require significant modification or customization of the software, the Company recognizes software license revenue when persuasive evidence of an arrangement exists, delivery of the product has occurred, the license fee is fixed and determinable and collection is probable. The Company's software license agreements generally include multiple products and services or "elements." None of these elements alone are deemed to be essential to the functionality of the other elements. Generally accepted accounting principles require revenue earned on software arrangements involving multiple elements to be allocated to each element based on VSOE of fair value. Fair value is determined for license fees based upon the price charged when sold separately. When we determine that VSOE does not exist for one or more of the delivered elements of a software arrangement, but does exist for all of the undelivered elements, revenue is recognized following the residual method allowed by current accounting pronouncements. Under the residual method, a residual amount of the total arrangement fee is recognized as revenue for the delivered elements after the established fair value of all undelivered elements has been deducted.

**Support and Service Fee Revenue.** Implementation services are generally for installation, implementation, and configuration of our systems and for training of our customer's employees. These services are not considered essential to the functionality of the related software. VSOE of fair value is established by pricing used when these services are sold separately. Generally, revenue is recognized when services are completed. On certain larger implementations, revenue is recognized based on milestones during the implementation. Milestones are triggered by tasks completed or based on direct labor hours.

Maintenance support revenue is recognized pro-rata over the contract period, typically one year. VSOE of fair value is determined based on contract renewal rates.

Outsourced data processing services and electronic payment services revenues are recognized based on the fair value of individual elements in the month the transactions were processed or the services were 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. Some of our hardware revenues are derived under "arrangements" as defined within U.S. GAAP. To the extent hardware revenue is part of such an arrangement and is not deemed essential to the functionality of any of the other elements to the arrangement, it is recognized based on VSOE of fair value at the time of delivery. The Company also remarkets maintenance contracts on hardware to our customers. Hardware maintenance revenue is recognized ratably over the agreement period.

### **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. All long lived assets are tested for valuation and potential impairment on a scheduled annual basis.

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

We capitalize certain costs incurred to develop commercial software products. Significant estimates and assumptions include: 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. 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. 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

Table of Contents

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; however, significant changes in the estimates and assumptions used in purchase accounting and goodwill impairment testing could have a material effect on the consolidated financial statements.

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

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

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

We have no outstanding debt with variable interest rates as of June 30, 2013 and are therefore not currently exposed to interest risk.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

Report of Independent Registered Public Accounting Firm 32

Management's Annual Report on Internal Control over Financial Reporting 33

Report of Independent Registered Public Accounting Firm 34

Financial Statements

Consolidated Statements of Income,  
Years Ended June 30, 2013, 2012, and 2011 35

Consolidated Balance Sheets,  
June 30, 2013 and 2012 36

Consolidated Statements of Changes in Stockholders' Equity,  
Years Ended June 30, 2013, 2012, and 2011 37

Consolidated Statements of Cash Flows,  
Years Ended June 30, 2013, 2012, and 2011 38

Notes to Consolidated Financial Statements 39

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.

Table of Contents

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 balance sheets of Jack Henry & Associates, Inc. and subsidiaries (the "Company") as of June 30, 2013 and 2012, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our 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 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 audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Jack Henry & Associates, Inc. and subsidiaries as of June 30, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period June 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2013, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 27, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP  
Kansas City, Missouri  
August 27, 2013

Table of Contents

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. 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; 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 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 the end of the Company's 2013 fiscal year, 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 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined the Company's internal control over financial reporting as of June 30, 2013 was effective.

The Company's internal control over financial reporting as of June 30, 2013 has been audited by the Company's independent registered public accounting firm, as stated in their report appearing on the next page.

Table of Contents

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 internal control over financial reporting of Jack Henry & Associates, Inc. and subsidiaries (the “Company”) as of June 30, 2013, based on criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible 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 an opinion on the Company’s internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2013, based on the criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended June 30, 2013 of the Company and our report dated August 27, 2013 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP  
Kansas City, Missouri  
August 27, 2013

Table of Contents

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

	Year Ended June 30,		
	2013	2012	2011
REVENUE			
License	\$54,818	\$54,811	\$53,067
Support and service	1,015,211	909,176	852,253
Hardware	59,357	63,122	61,577
Total revenue	1,129,386	1,027,109	966,897
COST OF SALES			
Cost of license	4,824	6,111	6,285
Cost of support and service	603,920	551,285	515,917
Cost of hardware	43,650	45,983	45,361
Total cost of sales	652,394	603,379	567,563
GROSS PROFIT	476,992	423,730	399,334
OPERATING EXPENSES			
Selling and marketing	81,619	76,500	68,061
Research and development	63,202	60,876	63,395
General and administrative	66,624	50,119	51,561
Total operating expenses	211,445	187,495	183,017
OPERATING INCOME	265,547	236,235	216,317
INTEREST INCOME (EXPENSE)			
Interest income	640	1,176	125
Interest expense	(6,337)	) (5,743	) (8,930
Total interest income (expense)	(5,697)	) (4,567	) (8,805
INCOME BEFORE INCOME TAXES	259,850	231,668	207,512
PROVISION FOR INCOME TAXES	83,205	76,684	70,041
NET INCOME	\$176,645	\$154,984	\$137,471
Diluted earnings per share	\$2.04	\$1.78	\$1.59
Diluted weighted average shares outstanding	86,619	87,287	86,687
Basic earnings per share	\$2.05	\$1.79	\$1.60
Basic weighted average shares outstanding	86,040	86,599	85,948
Cash dividends paid per share	\$0.560	\$0.440	\$0.400

See notes to consolidated financial statements.





Table of Contents

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

	June 30, 2013	June 30, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 127,905	\$ 157,313
Receivables, net	231,263	218,305
Income tax receivable	6,107	8,476
Prepaid expenses and other	59,244	61,261
Prepaid cost of product	23,366	23,294
Total current assets	447,885	468,649
PROPERTY AND EQUIPMENT, net	300,511	276,730
<b>OTHER ASSETS:</b>		
Non-current prepaid cost of product	27,898	21,344
Computer software, net of amortization	132,612	115,785
Other non-current assets	30,411	30,523
Customer relationships, net of amortization	147,167	162,561
Trade names, net of amortization	9,380	10,380
Goodwill	533,291	533,520
Total other assets	880,759	874,113
Total assets	\$ 1,629,155	\$ 1,619,492
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 11,701	\$ 16,317
Accrued expenses	68,528	58,260
Deferred income tax liability	30,845	26,256
Notes payable and current maturities of long term debt	7,929	25,503
Deferred revenues	293,255	275,907
Total current liabilities	412,258	402,243
<b>LONG TERM LIABILITIES:</b>		
Non-current deferred revenues	11,342	20,093
Non-current deferred income tax liability	120,434	100,932
Debt, net of current maturities	7,366	106,166
Other long-term liabilities	5,586	7,002
Total long term liabilities	144,728	234,193
Total liabilities	556,986	636,436
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock - \$1 par value; 500,000 shares authorized, none issued	—	—
Common stock - \$0.01 par value; 250,000,000 shares authorized; 101,993,808 shares issued at June 30, 2013	1,020	1,015
101,482,461 shares issued at June 30, 2012		
Additional paid-in capital	400,710	381,919
Retained earnings	1,072,521	944,078
Less treasury stock at cost		
16,753,889 shares at June 30, 2013	(402,082	) (343,956
15,452,064 shares at June 30, 2012		)

Edgar Filing: HENRY JACK & ASSOCIATES INC - Form 10-K

Total stockholders' equity	1,072,169	983,056
Total liabilities and equity	\$1,629,155	\$1,619,492
See notes to consolidated financial statements.		

36

---

Table of Contents

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,		
	2013	2012	2011
PREFERRED SHARES:	—	—	—
COMMON SHARES:			
Shares, beginning of year	101,482,461	100,766,173	99,808,367
Shares issued for equity-based payment arrangements	405,270	594,428	857,348
Shares issued for Employee Stock Purchase Plan	106,077	121,860	100,458
Shares, end of year	101,993,808	101,482,461	100,766,173
COMMON STOCK - PAR VALUE \$0.01 PER SHARE:			
Balance, beginning of year	\$1,015	\$1,008	\$998
Shares issued for equity-based payment arrangements	4	6	9
Shares issued for Employee Stock Purchase Plan	1	1	1
Balance, end of year	\$1,020	\$1,015	\$1,008
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of year	\$381,919	\$361,131	\$334,817
Shares issued upon exercise of stock options	2,845	6,886	16,837
Shares issued for Employee Stock Purchase Plan	3,699	3,321	2,456
Tax benefits from share-based compensation	3,632	3,631	2,298
Stock-based compensation expense	8,615	6,950	4,723
Balance, end of year	\$400,710	\$381,919	\$361,131
RETAINED EARNINGS:			
Balance, beginning of year	\$944,078	\$827,222	\$724,142
Net income	176,645	154,984	137,471
Dividends	(48,202)	) (38,128	) (34,391
Balance, end of year	\$1,072,521	\$944,078	\$827,222
TREASURY STOCK:			
Balance, beginning of year	\$(343,956	) \$(309,585	) \$(309,585
Purchase of treasury shares	(58,126	) (34,371	) —
Balance, end of year	\$(402,082	) \$(343,956	) \$(309,585
TOTAL STOCKHOLDERS' EQUITY	\$1,072,169	\$983,056	\$879,776
See notes to consolidated financial statements.			

Table of Contents

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

	Year Ended		
	June 30,		
	2013	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Income	\$ 176,645	\$ 154,984	\$ 137,471
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	51,967	45,322	41,912
Amortization	48,374	49,297	48,602
Change in deferred income taxes	24,091	22,610	20,526
Expense for stock-based compensation	8,615	6,950	4,723
(Gain)/loss on disposal of assets	3,908	1,198	1,025
Changes in operating assets and liabilities:			
Change in receivables	(12,739)	) (10,795	) 940
Change in prepaid expenses, prepaid cost of product and other	(4,430)	) (22,962	) (24,543)
Change in accounts payable	(4,582)	) 3,488	(671)
Change in accrued expenses	7,774	7,770	1,593
Change in income taxes	954	5,792	(10,933)
Change in deferred revenues	8,597	896	19,487
Net cash from operating activities	309,174	264,550	240,132
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(46,256)	) (41,441	) (32,085)
Proceeds from sale of assets	530	2,772	—
Customer contracts acquired	(186)	) (720	) —
Computer software developed	(51,332)	) (37,873	) (26,954)
Proceeds from investments	—	3,000	4,000
Purchase of investments	—	(2,000)	) (3,999)
Net cash from investing activities	(97,244)	) (76,262	) (59,038)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Borrowings on credit facilities	—	—	399
Repayments on credit facilities	(145,180)	) (35,280	) (229,854)
Purchase of treasury stock	(58,126)	) (34,371	) —
Dividends paid	(48,202)	) (38,128	) (34,391)
Excess tax benefits from stock-based compensation	3,621	3,465	1,056
Proceeds from issuance of common stock upon exercise of stock options	6,775	11,004	19,375
Minimum tax withholding payments related to share based compensation	(3,926)	) (4,112	) (2,529)
Proceeds from sale of common stock, net	3,700	3,322	2,457
Net cash from financing activities	(241,338)	) (94,100	) (243,487)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$(29,408)</b>	<b>) \$94,188</b>	<b>\$ (62,393)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>\$ 157,313</b>	<b>\$ 63,125</b>	<b>\$ 125,518</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 127,905</b>	<b>\$ 157,313</b>	<b>\$ 63,125</b>

See notes to consolidated financial statements



Table of Contents

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) and 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 fees, support and service fees and hardware sales. There are no rights of return, condition of acceptance or price protection in the Company's sales contracts.

License Fee Revenue: For software license agreements that do not require significant modification or customization of the software, the Company recognizes software license revenue when persuasive evidence of an arrangement exists, delivery of the product has occurred, the license fee is fixed and determinable and collection is probable. The Company's software license agreements generally include multiple products and services or “elements.” None of these elements are deemed to be essential to the functionality of the other elements. Accounting principles generally accepted in the United States of America (“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. Fair value is determined for license fees based upon the price charged when sold separately or, if the product is not yet sold separately, the price determined by management with relevant authority. In the event that we determine that VSOE does not exist for one or more of the delivered elements of a software arrangement, but does exist for all of the undelivered elements, revenue is recognized using the residual method. Under the residual method, a residual amount of the total arrangement fee is recognized as revenue for the delivered elements after the established fair value of all undelivered elements has been deducted.

Arrangements with customers that include significant customization, modification, or production of software are accounted for under contract accounting, with the revenue being recognized using the percentage-of-completion method.

Support and Service Fee Revenue: Implementation services are generally for installation, training, implementation, and configuration. These services are not considered essential to the functionality of the related software. VSOE of fair value is established by pricing used when these services are sold separately or, if the services are not yet sold separately, the price determined by management with relevant authority. Generally revenue is recognized when services are completed. On certain larger implementations, revenue is recognized based on milestones during the implementation. Milestones are triggered by tasks completed or based on direct labor hours.

Maintenance support revenue is recognized pro-rata over the contract period, typically one year. VSOE of fair value is determined based on contract renewal rates.

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. To the extent hardware revenue is part of such an



## Table of Contents

arrangement and is not deemed essential to the functionality of any of the other elements to the arrangement, it is recognized based on fair value at the time of delivery. 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).

### PREPAID COST OF PRODUCT

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

### DEFERRED REVENUES

Deferred revenues consist primarily of prepaid annual software support fees and prepaid hardware maintenance fees. Hardware maintenance contracts are multi-year; therefore, the deferred revenue and maintenance are classified in accordance with the terms of the contract. Software and hardware deposits received are also reflected as deferred revenues.

### COMPUTER SOFTWARE DEVELOPMENT

The Company capitalizes new product development costs incurred 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.

### 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.

### 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 five 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 ended June 30, 2013, 2012, and 2011 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 12). 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, 2013, there were 16,754 shares in treasury stock and the Company had the remaining authority to repurchase up to 8,237 additional shares. The total cost of treasury shares at June 30, 2013 is \$402,082. During fiscal 2013, the Company repurchased 1,302 treasury shares for \$58,126. At June 30, 2012, there

were 15,452 shares in treasury stock and the Company has the authority to repurchase up to 4,539 additional shares.

40

---

## Table of Contents

The total cost of treasury shares at June 30, 2012 is \$343,956. During fiscal 2012, the Company repurchased 1,045 treasury shares for \$34,371.

### INCOME PER SHARE

Per share information is based on the weighted average number of common shares outstanding during the year. Stock options 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 (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 benefits 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. 2011-05, Comprehensive Income in June 2011, which was effective for the Company beginning July 1, 2012 and ASU No. 2013-02, Comprehensive Income in February 2013, which was effective for the Company beginning January 1, 2013. The updated guidance adjusted the reporting requirements related to comprehensive income. Adoption of these updates did not have any impact on the financial statements.

In September 2011, the FASB issued ASU No. 2011-08, Testing Goodwill for Impairment, which was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The amendments in the update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The provisions in this update were effective for the Company beginning July 1, 2012 and its adoption did not have any impact on the financial statements.

In July 2012, the FASB issued ASU No. 2012-02, Intangibles - Goodwill and Other. The amendments in the update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The provisions in this update will be effective for the Company beginning July 1, 2013 and we do not anticipate that this update will materially impact the financial statements.

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes. The amendments update guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The provisions in this update will be effective for the Company beginning January 1, 2014 and we do not anticipate that this update will materially impact the financial statements.

### 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 or quoted prices in active markets.

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

41

---

Table of Contents

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, is as follows:

	Estimated Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
June 30, 2013				
Financial Assets:				
Money market funds	\$ 101,576	\$—	\$—	\$ 101,576
June 30, 2012				
Financial Assets:				
Money market funds	\$ 116,013	\$—	\$—	\$ 116,013

**NOTE 3. PROPERTY AND EQUIPMENT**

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

	June 30, 2013	2012	Estimated Useful Life
Land	\$25,003	\$25,011	
Land improvements	25,385	25,954	5 - 20 years
Buildings	142,350	141,733	20 - 30 years
Leasehold improvements	24,037	22,185	5 - 20 years (1)
Equipment and furniture	293,044	262,497	5 - 8 years
Aircraft and equipment	45,179	35,029	5 - 15 years
Construction in progress	18,099	5,750	
	573,097	518,159	
Less accumulated depreciation	272,586	241,429	
Property and equipment, net	\$300,511	\$276,730	

(1) Lesser of lease term or estimated useful life

Property and equipment included \$2,179 and \$457 that was in accrued liabilities at June 30, 2013 and 2012, respectively. Also, the Company acquired \$29,131 and \$13,488 of computer equipment through capital leases for the years ended June 30, 2013 and 2012, respectively. These amounts were excluded from capital expenditures on the statement of cash flows.

**NOTE 4. OTHER ASSETS****Goodwill**

The carrying amount of goodwill for the years ended June 30, 2013 and 2012, by reportable segments, is as follows:

	June 30,	
	2013	2012
Banking		
Beginning balance	\$403,949	\$403,949
Goodwill, written off related to sale	(229	) —
Ending balance	\$403,720	\$403,949
Credit Union		
Beginning balance	\$129,571	\$129,571
Goodwill, acquired during the year	—	—
Ending balance	\$129,571	\$129,571

Table of Contents

## Other Intangible Assets

Information regarding other identifiable intangible assets is as follows:

	June 30, 2013	2012	
Customer relationships	\$272,391	\$275,005	
Less accumulated amortization	(125,224	) (112,444	)
Customer relationships, net	\$147,167	\$162,561	
Trade names	\$10,735	\$11,064	
Less accumulated amortization	(1,355	) (684	)
Trade names, net	\$9,380	\$10,380	
Computer software	\$288,095	\$246,707	
Less accumulated amortization	(155,483	) (130,922	)
Computer software, net	\$132,612	\$115,785	

Customer relationships have lives ranging from 5 to 20 years. Our trade name assets have useful lives ranging from 5 to 20 years.

Computer software includes the unamortized cost of commercial software products developed or acquired by the Company, which are capitalized and amortized over useful lives ranging from 5 to 10 years. Amortization expense for computer software totaled \$33,145, \$32,807, and \$31,189 for the fiscal years ended June 30, 2013, 2012, and 2011, respectively. There were no material impairments in any of the fiscal years presented.

Amortization expense for all intangible assets was \$48,374, \$49,297, and \$48,602 for the fiscal years ended June 30, 2013, 2012, and 2011, respectively. The estimated aggregate future amortization expense for each of the next five years for all intangible assets remaining as of June 30, 2013, is as follows:

Years Ending June 30,	Computer Software	Customer Relationships	Trade Names	Total
2014	\$32,127	\$14,337	\$690	\$47,154
2015	26,696	13,898	672	41,266
2016	19,665	13,380	472	33,517
2017	10,852	13,209	472	24,533
2018	3,349	12,723	472	16,544

## NOTE 5. DEBT

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

	June 30, 2013	June 30, 2012
<b>LONG TERM DEBT</b>		
Term loan	\$—	\$127,500
Capital leases	14,161	3,518
Other borrowings	120	445
	14,281	131,463
Less current maturities	6,915	25,297
Debt, net of current maturities	\$7,366	\$106,166
<b>SHORT TERM DEBT</b>		
Capital leases	\$1,014	\$206
Current maturities of long-term debt	6,915	25,297
Notes payable and current maturities of long term debt	\$7,929	\$25,503



Table of Contents

The following table summarizes the annual principal payments required as of June 30, 2013:

Years ended June 30,	
2014	\$7,929
2015	5,768
2016	1,598
2017	—
2018	—
Thereafter	—
	\$15,295

**Revolving credit facility**

The long term revolving credit facility allows for borrowings of up to \$150,000, which may be increased by the Company at any time until maturity to \$250,000. The revolving loan terminates June 4, 2015. At June 30, 2013, there was no outstanding revolving loan balance.

**Term loan**

The term loan had an original principal balance of \$150,000, with quarterly principal payments of \$5,625 that began on September 30, 2011. The remaining balance was repaid in full during fiscal 2013 and at June 30, 2013, there was no outstanding balance.

Each of the above loans bear interest at a variable rate equal to (a) a rate based on LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate or (c) LIBOR plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The loans are secured by pledges of capital stock of certain subsidiaries of the Company. The loans are also 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, 2013, the Company was in compliance with all such covenants.

**Capital leases**

The Company has entered into various capital lease obligations for the use of certain computer equipment. Long term capital lease obligations were entered into of which \$14,161 remains outstanding at June 30, 2013 of which \$6,795 will be maturing within the next twelve months. The Company also has short term capital lease obligations totaling \$1,014 at June 30, 2013. Included in property and equipment are assets under capital leases totaling \$39,996, which have accumulated depreciation totaling \$7,611.

**Other lines of credit**

The Company renewed an unsecured bank credit line on April 29, 2012 which provides for funding of up to \$5,000 and bears interest at the prime rate less 1% (2.25% at June 30, 2013). The credit line was renewed through April 29, 2014. At June 30, 2013, no amount was outstanding.

**Interest**

The Company paid interest of \$3,549, \$3,899, and \$8,000 in 2013, 2012, and 2011 respectively.

**NOTE 6. COMMITMENTS AND CONTINGENCIES****Impact of Hurricane Sandy**

Included within current year general & administrative operating expenses are \$12,475, net of insurance recoveries received of \$2,390, related to the impact of widespread flooding caused by Hurricane Sandy on our Lyndhurst, New Jersey item processing center. Insurance recovery claims, other than those finalized and included in general & administrative operating expenses, have been made by JHA to recover the portions of the remaining expenses. These open insurance recovery claims have not been finalized and no amounts have been recorded in the financial results for the year ended June 30, 2013. The amount recovered will likely be less than the amount of the expense. Included within accrued expenses is \$439 of remaining contingent liabilities.



Table of Contents

## Litigation

We are subject to various routine legal proceedings and claims, including the following:

In May 2013 a patent infringement lawsuit entitled DataTreasury Corporation v. Jack Henry & Associates, Inc. et. al. was filed against the Company, several subsidiaries and a number of customer financial institutions in the US District Court for the Eastern District of Texas. The complaint seeks damages, interest, injunctive relief, and attorneys' fees for the alleged infringement of two patents, as well as trebling of damage awards for alleged willful infringement. We believe we have strong defenses and intend to defend the lawsuit vigorously. At this early stage, we cannot make a reasonable estimate of possible loss or range of loss, if any, arising from this lawsuit.

## Property and Equipment

The Company had \$18,779 material commitments at June 30, 2013 to purchase property and equipment related mainly to the purchase of aircraft. There were no material commitments at June 30, 2012.

## Leases

The Company leases certain property under operating leases which expire over the next 6 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, 2013, net future minimum lease payments are as follows:

Years Ending June 30,	Lease Payments
2013	\$6,673
2014	5,524
2015	4,488
2016	3,301
2017	2,047
Thereafter	33
Total	\$22,066

Rent expense was \$8,124, \$8,410, and \$8,985 in 2013, 2012, and 2011 respectively.

## NOTE 7. INCOME TAXES

The provision for income taxes from continuing operations consists of the following:

	Year ended June 30,		
	2013	2012	2011
Current:			
Federal	\$54,574	\$48,053	\$43,334
State	4,540	6,022	6,180
Deferred:			
Federal	19,553	20,649	18,276
State	4,538	1,960	2,251
	\$83,205	\$76,684	\$70,041

Table of Contents

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

	June 30,	
	2013	2012
Deferred tax assets:		
Deferred revenue	\$5,846	\$8,575
Expense reserves (bad debts, insurance, franchise tax and vacation)	12,515	9,349
Net operating loss carryforwards	6,363	9,454
Other, net	1,383	1,410
	26,107	28,788
Deferred tax liabilities:		
Accelerated tax depreciation	(35,046	) (34,636
Accelerated tax amortization	(106,147	) (91,379
Prepaid expenses	(25,779	) (23,331
Other, net	(9,714	) (6,280
	(176,686	) (155,626
Net deferred tax liability before valuation allowance	(150,579	) (126,838
Valuation allowance	(700	) (350
Net deferred tax liability	\$(151,279	) \$(127,188
The deferred taxes are classified on the balance sheets as follows:		
	2013	2012
Deferred income taxes (current)	\$(30,845	) \$(26,256
Deferred income taxes (long-term)	(120,434	) (100,932
	\$(151,279	) \$(127,188

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

	Year Ended June 30,		
	2013	2012	2011
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	2.3	% 2.2	% 2.6
Research and development credit	(3.3	)% (1.8	)% (2.0
Domestic production activities deduction	(2.2	)% (2.1	)% (2.5
Other (net)	0.2	% (0.2	)% 0.7
	32.0	% 33.1	% 33.8

As of June 30, 2013, we have \$13,631 of net operating loss ("NOL") carryforwards pertaining to the acquisition of GFSI, which are expected to be utilized after the application of IRC Section 382. Separately, as of June 30, 2013, we had state NOL carryforwards of \$2,427. The federal and state losses have varying expiration dates, ranging from 2013 to 2032. Based on state tax rules which restrict our utilization of these losses, we believe it is more likely than not that \$700 of these losses will expire unutilized. Accordingly, a valuation allowance of \$700 and \$350 has been recorded against these assets as of June 30, 2013 and 2012, respectively.

The Company paid income taxes of \$54,815, \$44,962, and \$60,515 in 2013, 2012, and 2011 respectively.

At June 30, 2012, the Company had \$6,202 of unrecognized tax benefits. At June 30, 2013, the Company had \$4,890 of gross unrecognized tax benefits, \$3,312 of which, if recognized, would affect our effective tax rate. We had accrued interest and penalties of \$597 and \$711 related to uncertain tax positions at June 30, 2013 and 2012, respectively.

Table of Contents

A reconciliation of the unrecognized tax benefits for the years ended June 30, 2013 and 2012 follows:

	Unrecognized Tax Benefits	
Balance at July 1, 2011	\$8,897	
Additions for current year tax positions	1,673	
Reductions for current year tax positions	—	
Additions for prior year tax positions	8	
Reductions for prior year tax positions	(2,904	)
Settlements	(1,454	)
Reductions related to expirations of statute of limitations	(18	)
Balance at June 30, 2012	6,202	
Additions for current year tax positions	1,087	
Reductions for current year tax positions	—	
Additions for prior year tax positions	510	
Reductions for prior year tax positions	(2,720	)
Settlements	—	
Reductions related to expirations of statute of limitations	(189	)
Balance at June 30, 2013	\$4,890	

During the fiscal year ended June 30, 2012, the Internal Revenue Service initiated an examination of the Company's U.S. federal income tax returns for the fiscal years ended June 30, 2010 and 2011. The exam was completed in fiscal 2013 and did not result in a material change to the financial condition of the Company. The U.S. federal and state income tax returns for June 30, 2010 and all subsequent years remain subject to examination as of June 30, 2013 under statute of limitations rules. We anticipate potential changes could reduce the unrecognized tax benefits balance by \$100 - \$700 within twelve months of June 30, 2013.

**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, 2013, 2012, and 2011) are maintained for potential credit losses.

In addition, the Company purchases most of its computer hardware and related maintenance for resale in relation to installation of JHA software systems from two suppliers. There are a limited number of hardware suppliers for these required items. If these relationships were terminated, it 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, 2013, 2012 and 2011 includes \$8,615, \$6,950 and \$4,723 of equity-based compensation costs, respectively, of which \$7,962, \$6,364 and \$4,209 relates to the restricted stock plan, respectively.

**2005 NSOP and 1996 SOP**

The Company previously issued options to employees under the 1996 Stock Option Plan ("1996 SOP") and to outside directors under the 2005 Non-Qualified Stock Option Plan ("2005 NSOP").

The 1996 SOP was adopted by the Company on October 29, 1996, for its employees. Terms and vesting periods of the options were determined by the Compensation Committee of the Board of Directors when granted and for options outstanding include vesting periods up to four years. Shares of common stock were reserved for issuance under this plan at the time of each grant, which must be at or above fair market value of the stock at the grant date. The options terminate 30 days after termination of employment, three months after retirement, one year after death or 10 years after the date of grant. The plan terminated by its terms on October 29, 2006, although options previously granted under the 1996 SOP are still outstanding and vested.

The 2005 NSOP was adopted by the Company on September 23, 2005, for its outside directors. Generally, options are exercisable beginning 6 months after grant at an exercise price equal to 100% of the fair market value of the stock at the grant date. For individuals who have served less than 4 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

Table of Contents

optionee, or 10 years after grant. 700 shares of common stock have been reserved for issuance under this plan with a maximum of 100 for each director.

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

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding July 1, 2010	1,897	\$18.58	
Granted	—	—	
Forfeited	(47	) 27.84	
Exercised	(860	) 21.46	
Outstanding July 1, 2011	990	15.65	
Granted	—	—	
Forfeited	—	—	
Exercised	(526	) 15.17	
Outstanding July 1, 2012	464	16.19	
Granted	—	—	
Forfeited	—	—	
Exercised	(320	) 13.68	
Outstanding June 30, 2013	144	\$21.79	\$3,636
Vested June 30, 2013	144	\$21.79	\$3,636
Exercisable June 30, 2013	144	\$21.79	\$3,636

There were no options granted during any period presented. As of June 30, 2013, there was no unrecognized compensation costs related to stock options since all options have now vested. The weighted average remaining contractual term on options currently exercisable as of June 30, 2013 was 4.03 years.

The income tax benefits from stock option exercises totaled \$3,632, \$3,631 and \$2,298 for the years ended June 30, 2013, 2012 and 2011, respectively.

The total intrinsic value of options exercised was \$8,254, \$9,654 and \$6,342 for the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

#### Restricted Stock Plan

The Restricted Stock Plan was adopted by the Company on November 1, 2005, for its employees. Up to 3,000 shares of common stock are available for issuance under the 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 7 years from grant date. On certain awards, the restrictions may be lifted sooner if certain targets for shareholder return are met.

Table of Contents

The following table summarizes non-vested share awards activity:

Share awards	Shares	Weighted Average Grant Date Fair Value
Outstanding July 1, 2010	387	\$21.96
Granted	102	24.54
Vested	(59	) 23.75
Forfeited	(14	) 21.88
Outstanding July 1, 2011	416	22.34
Granted	42	31.50
Vested	(106	) 22.92
Forfeited	(20	) 25.49
Outstanding July 1, 2012	332	23.13
Granted	53	36.78
Vested	(125	) 23.17
Forfeited	(8	) 23.11
Outstanding June 30, 2013	252	\$25.92

The non-vested share awards will not participate in dividends during the restriction period. As a result, the weighted-average fair value of the non-vested share awards is 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.

At June 30, 2013, there was \$2,071 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 0.86 years.

An amendment to the Restricted Stock Plan was adopted by the Company on August 20, 2010, for its executive officers. Unit awards will be 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.

The following table summarizes non-vested unit awards as of June 30, 2013, as well as activity for the year then ended:

Unit awards	Shares	Weighted Average Grant Date Fair Value
Outstanding July 1, 2010	—	\$—
Granted	293	15.77
Vested	—	—
Forfeited	—	—
Outstanding July 1, 2011	293	15.77
Granted	391	19.69
Vested	—	—
Forfeited	(12	) 15.77
Outstanding July 1, 2012	672	18.05
Granted	174	42.39
Vested	—	—
Forfeited	(32	) 22.45

Outstanding June 30, 2013

814

\$23.08

49

---

Table of Contents

The weighted average assumptions used in this model to estimate fair value at the measurement date and resulting values are as follows:

	Year Ended June 30,			
	2013	2012	2011	
Volatility	23.3	% 34.2	% 37.0	%
Risk free interest rate	0.33	% 0.31	% 0.90	%
Dividend yield	1.2	% 1.5	% 1.6	%
Stock Beta	0.864	0.903	0.890	

At June 30, 2013, there was \$7,728 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 1.08 years.

**NOTE 10. EARNINGS PER SHARE**

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

	Year Ended June 30,		
	2013	2012	2011
Net Income	\$176,645	\$154,984	\$137,471
Common share information:			
Weighted average shares outstanding for basic earnings per share	86,040	86,599	85,948
Dilutive effect of stock options and restricted stock	579	688	739
Weighted average shares outstanding for diluted earnings per share	86,619	87,287	86,687
Basic earnings per share	\$2.05	\$1.79	\$1.60
Diluted earnings per share	\$2.04	\$1.78	\$1.59

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. No anti-dilutive stock options and restricted stock were excluded from the computation of diluted earnings per share for fiscal 2013, with zero shares excluded for fiscal 2012 and 12 shares excluded for fiscal 2011.

**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, 2013, 2012, and 2011 was \$653, \$586 and \$434, 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 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 \$12,426, \$11,376, and \$11,076 for fiscal 2013, 2012, and 2011, respectively.

**NOTE 12. REPORTABLE SEGMENT INFORMATION**

The Company is a provider of integrated computer systems that perform data processing (available for in-house installations or outsourced services) for banks and credit unions. 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.





Table of Contents

	Year Ended		
	June 30, 2013		
	Bank	Credit Union	Total
REVENUE			
License	\$32,933	\$21,885	\$54,818
Support and service	774,073	241,138	1,015,211
Hardware	41,052	18,305	59,357
Total revenue	848,058	281,328	1,129,386
COST OF SALES			
Cost of license	3,699	1,125	4,824
Cost of support and service	460,050	143,870	603,920
Cost of hardware	29,936	13,714	43,650
Total cost of sales	493,685	158,709	652,394
GROSS PROFIT	\$354,373	\$122,619	476,992
OPERATING EXPENSES			211,445
INTEREST INCOME (EXPENSE)			(5,697 )
INCOME BEFORE INCOME TAXES			\$259,850
	Year Ended		
	June 30, 2012		
	Bank	Credit Union	Total
REVENUE			
License	\$37,200	\$17,611	\$54,811
Support and service	696,204	212,972	909,176
Hardware	45,051	18,071	63,122
Total revenue	778,455	248,654	1,027,109
COST OF SALES			
Cost of license	4,863	1,248	6,111
Cost of support and service	419,954	131,331	551,285
Cost of hardware	32,123	13,860	45,983
Total cost of sales	456,940	146,439	603,379
GROSS PROFIT	\$321,515	\$102,215	423,730
OPERATING EXPENSES			187,495
INTEREST INCOME (EXPENSE)			(4,567 )
INCOME BEFORE INCOME TAXES			\$231,668

Table of Contents

	Year Ended		
	June 30, 2011		
	Bank	Credit Union	Total
REVENUE			
License	\$37,424	\$15,643	\$53,067
Support and service	665,297	186,956	852,253
Hardware	44,171	17,406	61,577
Total revenue	746,892	220,005	966,897
COST OF SALES			
Cost of license	5,008	1,277	6,285
Cost of support and service	394,040	121,877	515,917
Cost of hardware	31,850	13,511	45,361
Total cost of sales	430,898	136,665	567,563
GROSS PROFIT	\$315,994	\$83,340	399,334
OPERATING EXPENSES			183,017
INTEREST INCOME (EXPENSE)			(8,805 )
INCOME BEFORE INCOME TAXES			\$207,512
	For the Year Ended June 30,		
	2013	2012	2011
Depreciation expense, net			
Bank systems and services	\$47,789	\$41,053	\$38,830
Credit Unions systems and services	4,178	4,269	3,082
Total	\$51,967	\$45,322	\$41,912
Amortization expense, net			
Bank systems and services	\$32,959	\$35,492	\$35,507
Credit Unions systems and services	15,415	13,805	13,095
Total	\$48,374	\$49,297	\$48,602
Capital expenditures			
Bank systems and services	\$44,976	\$34,963	\$23,730
Credit Unions systems and services	1,280	6,478	8,355
Total	\$46,256	\$41,441	\$32,085
		June 30,	June 30,
		2013	2012
Property and equipment, net			
Bank systems and services		\$265,595	\$245,069
Credit Union systems and services		34,916	31,661
Total		\$300,511	\$276,730
Intangible assets, net			
Bank systems and services		\$589,891	\$591,857
Credit Union systems and services		232,559	230,389
Total		\$822,450	\$822,246



Table of Contents

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

**NOTE 13. SUBSEQUENT EVENTS**

The Company has evaluated any significant events occurring from the date of these financial statements through the date they were issued. The effects of any such events upon conditions existing as of the balance sheet date have been reflected within the financial statements to the extent that the effects were material. Any significant events occurring after the balance sheet date that do not relate to conditions existing as of that date are disclosed below.

On August 26, 2013, the Company's Board of Directors declared a cash dividend of \$0.20 per share on its common stock, payable on September 27, 2013 to shareholders of record on September 6, 2013.

Table of Contents

## QUARTERLY FINANCIAL INFORMATION

(unaudited)

	For the Year Ended June 30, 2013				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
REVENUE					
License	\$12,864	\$13,210	\$16,681	\$12,063	\$54,818
Support and service	244,585	250,310	250,415	269,901	1,015,211
Hardware	13,552	15,174	14,447	16,184	59,357
Total revenue	271,001	278,694	281,543	298,148	1,129,386
COST OF SALES					
Cost of license	1,077	1,251	1,360	1,136	4,824
Cost of support and service	143,418	144,683	155,012	160,807	603,920
Cost of hardware	10,578	10,523	10,581	11,968	43,650
Total cost of sales	155,073	156,457	166,953	173,911	652,394
GROSS PROFIT	115,928	122,237	114,590	124,237	476,992
OPERATING EXPENSES					
Selling and marketing	20,189	19,937	20,935	20,558	81,619
Research and development	14,645	15,691	15,996	16,870	63,202
General and administrative	13,578	27,181	11,950	13,915	66,624
Total operating expenses	48,412	62,809	48,881	51,343	211,445
OPERATING INCOME	67,516	59,428	65,709	72,894	265,547
INTEREST INCOME (EXPENSE)					
Interest income	187	190	133	130	640
Interest expense	(1,341)	) (1,261)	) (1,034)	) (2,701)	) (6,337)
Total interest income (expense)	(1,154)	) (1,071)	) (901)	) (2,571)	) (5,697)
INCOME BEFORE INCOME TAXES	66,362	58,357	64,808	70,323	259,850
PROVISION FOR INCOME TAXES	23,887	17,852	18,812	22,654	83,205
NET INCOME	\$42,475	\$40,505	\$45,996	\$47,669	\$176,645
Diluted earnings per share	\$0.49	\$0.47	\$0.53	\$0.55	\$2.04
Diluted weighted average shares outstanding	86,605	86,639	86,705	86,525	86,619
Basic earnings per share	\$0.49	\$0.47	\$0.53	\$0.56	\$2.05
Basic weighted average shares outstanding	86,109	86,084	86,120	85,845	86,040

Table of Contents

	For the Year Ended June 30, 2012				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
<b>REVENUE</b>					
License	\$12,264	\$13,552	\$15,009	\$13,986	\$54,811
Support and service	220,270	225,609	226,535	236,762	909,176
Hardware	15,804	16,697	14,760	15,861	63,122
Total revenue	248,338	255,858	256,304	266,609	1,027,109
<b>COST OF SALES</b>					
Cost of license	1,127	1,115	2,424	1,445	6,111
Cost of support and service	131,124	135,833	139,593	144,735	551,285
Cost of hardware	11,661	11,501	10,904	11,917	45,983
Total cost of sales	143,912	148,449	152,921	158,097	603,379
<b>GROSS PROFIT</b>	104,426	107,409	103,383	108,512	423,730
<b>OPERATING EXPENSES</b>					
Selling and marketing	18,754	18,164	18,994	20,588	76,500
Research and development	14,936	15,075	15,471	15,394	60,876
General and administrative	12,939	13,382	12,421	11,377	50,119
Total operating expenses	46,629	46,621	46,886	47,359	187,495
<b>OPERATING INCOME</b>	57,797	60,788	56,497	61,153	236,235
<b>INTEREST INCOME (EXPENSE)</b>					
Interest income	129	106	85	856	1,176
Interest expense	(1,456)	) (1,448)	) (1,464)	) (1,375)	) (5,743)
Total interest income (expense)	(1,327)	) (1,342)	) (1,379)	) (519)	) (4,567)
<b>INCOME BEFORE INCOME TAXES</b>	56,470	59,446	55,118	60,634	231,668
<b>PROVISION FOR INCOME TAXES</b>	19,995	20,921	18,461	17,307	76,684
<b>NET INCOME</b>	\$36,475	\$38,525	\$36,657	\$43,327	\$154,984
Diluted net income per share	\$0.42	\$0.44	\$0.42	\$0.50	\$1.78
Diluted weighted average shares outstanding	87,134	87,371	87,592	87,051	87,287
Basic net income per share	\$0.42	\$0.45	\$0.42	\$0.50	\$1.79
Basic weighted average shares outstanding	86,403	86,572	86,824	86,595	86,599

Table of Contents

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

The Management's Report on Internal Control over Financial Reporting required by this Item 9A is in Item 8, "Financial Statements and Supplementary Data." Deloitte & Touche LLP has audited our internal control over financial reporting as of June 30, 2013; their report is included in Item 8 of this Form 10K.

During the fiscal quarter ending June 30, 2013, there has been no change in internal control over financial reporting that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting. Attached as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K are certifications of the CEO and the CFO, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934 (the Exchange Act). This Controls and Procedures section includes the information concerning the controls evaluation referred to in the certifications and it should be read in conjunction with the certifications.

ITEM 9B. OTHER INFORMATION

None.



Table of Contents

PART III

Information required by Items 10, 11, 12, 13 and 14 of Part III is omitted from this report and will be filed within 120 days after the Company's June 30, 2013 fiscal year end in the definitive proxy statement for our 2013 Annual Meeting of Stockholders (the "Proxy Statement").

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

See the information under the captions "Election of Directors", "Corporate Governance", "Section 16(a) Beneficial Ownership Reporting Compliance", and "Executive Officers and Significant Employees" in the Proxy Statement, which is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

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

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

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

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

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

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

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

- Reports of Independent Registered Public Accounting Firm
- Consolidated Statements of Income for the years ended June 30, 2013, 2012 and 2011
- Consolidated Balance Sheets as of June 30, 2013 and 2012
- Consolidated Statements of Changes in Stockholders' Equity for the years ended June 30, 2013, 2012 and 2011
- Consolidated Statements of Cash Flows for the years ended June 30, 2013, 2012 and 2011
- Notes to the Consolidated Financial Statements

(2) The following Financial Statement Schedules filed as part of this Report appear under Item 8 of this Report: There are no schedules included because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

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

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



Table of Contents

Index to Exhibits

Exhibit No. Description

- 3.1.7 Restated Certificate of Incorporation, attached as Exhibit 3.1.7 to the Company's Annual Report on Form 10-K for the Year ended June 30, 2003.
- 3.2.2 Restated and Amended Bylaws, attached as Exhibit 3.2.2 to the Company's Current Report on Form 8-K filed November 13, 2008.
- 10.8 Form of Indemnity Agreement which has been entered into as of August 27, 1996, between the Company and each of its Directors and Executive Officers, attached as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1996.
- 10.29 Jack Henry & Associates, Inc. 2006 Employee Stock Purchase Plan, attached as Exhibit 10.29 to the Company's Current Report on Form 8-K filed November 6, 2006.
- 10.31 Form of Termination Benefits Agreement, attached as Exhibit 10.31 to the Company's Current Report on Form 8-K filed September 10, 2007.
- 10.32 Form of Restricted Stock Agreement (executives), attached as Exhibit 10.32 to the Company's Current Report on Form 8-K filed September 10, 2007.
- 10.33 Form of Restricted Stock Agreement (Vice presidents and certain other managers), attached as Exhibit 10.33 to the Company's Current Report on Form 8-K filed September 10, 2007.
- 10.34 Amendment No. 2 to Jack Henry & Associates, Inc. 2006 Employee Stock Purchase Plan, attached as Exhibit 10.34 to the Company's Current Report on Form 8-K filed November 1, 2007.
- 10.35 Jack Henry & Associates, Inc. 2007 Annual Incentive Plan, attached as Exhibit 10.35 to the Company's Current Report on Form 8-K filed November 1, 2007.
- 10.36 Jack Henry & Associates, Inc. 1995 Non-Qualified Stock Option Plan, as amended May 9, 2008, attached as Exhibit 10.36 to the Company's Annual Report on Form 10-K filed August 29, 2008.
- 10.38 Jack Henry & Associates, Inc. 2005 Non-Qualified Stock Option Plan, as amended and restated May 9, 2008, attached as Exhibit 10.38 to the Company's Annual Report on Form 10-K filed August 29, 2008.
- 10.39 Revised Form of Restricted Stock Agreement (executives), attached as Exhibit 10.39 to the Company's Quarterly Report on Form 10-Q filed November 6, 2009.
- 10.40 Amended and Restated Credit Agreement among Jack Henry & Associates, Inc., Wells Fargo Bank, National Association, Bank of America, N.A., regions Bank and U.S. Bank National Association, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 9, 2010.
- 10.42 Form of Restricted Stock Unit Award Agreement, attached as Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 24, 2010.
- 10.43

Edgar Filing: HENRY JACK & ASSOCIATES INC - Form 10-K

Jack Henry & Associates Inc. Restricted Stock Plan, as amended and restated effective November 9, 2010, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 12, 2010.

- 10.44 Form of Performance Shares Agreement Under the Jack Henry & Associates, Inc. Restricted Stock Plan, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 12, 2012.

58

---

Table of Contents

- 10.45 Jack Henry & Associates, Inc. 2012 Annual Incentive Plan, effective September 1, 2012 and approved by the stockholders on November 14, 2012, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 16, 2012.
- 10.46 Jack Henry & Associates, Inc. 2005 Non-Qualified Stock Option Plan, as amended August 20, 2010, attached as Exhibit 10.1 to the Company's Quarterly Report on form 10-Q filed February 7, 2012.
- 21.1 List of the Company's subsidiaries.
- 23.1 Consent of Independent Registered Public Accounting Firm.
- 31.1 Certification of the Chief Executive Officer.
- 31.2 Certification of the Chief Financial Officer.
- 32.1 Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
- 32.2 Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
- 101.INS\* XBRL Instance Document
- 101.SCH\* XBRL Taxonomy Extension Schema Document
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB\* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

\* Furnished with this report on Form 10-K are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets as of June 30, 2013 and June 30, 2012, (ii) the Consolidated Statements of Income for the years ended June 30, 2013, 2012 and 2011, (iii) the Consolidated Statements of Shareholders' Equity for the years ended June 30, 2013, 2012 and 2011, (iv) the Consolidated Statements of Cash Flows for the years ended June 30, 2013, 2012 and 2011, and (v) Notes to Consolidated Financial Statements.

Table of Contents

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 27th day of August, 2013.

JACK HENRY & ASSOCIATES, INC., Registrant

By /s/ John F. Prim  
Chief Executive Officer

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

Signature	Capacity	Date
/s/ John F. Prim John F. Prim	Chairman of the Board, Chief Executive Officer and Director	August 27, 2013
/s/ Kevin D. Williams Kevin D. Williams	Chief Financial Officer and Treasurer (Principal Accounting Officer)	August 27, 2013
/s/ Wesley A. Brown Wesley A. Brown	Director	August 27, 2013
/s/ Matthew Flanigan Matthew Flanigan	Director	August 27, 2013
/s/ Marla Shepard Marla Shepard	Director	August 27, 2013
/s/ Tom H. Wilson, Jr Tom H. Wilson, Jr	Director	August 27, 2013
/s/ Jacqueline R. Fiegel Jacqueline R. Fiegel	Director	August 27, 2013
/s/ Thomas A. Wimsett Thomas A. Wimsett	Director	August 27, 2013