

HENRY JACK & ASSOCIATES INC
Form 10-K
August 30, 2007

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, 2007

OR

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

For the transition period from _____ to _____

Commission Number 0-14112

JACK HENRY AND ASSOCIATES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or
Organization)

43-1128385

(I.R.S. Employer Identification No.)

663 Highway 60, P.O. Box 807, Monett, MO 65708

(Address of Principal Executive Offices)

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

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock (\$0.01 par value)	NASDAQ

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 ☐

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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 [X]

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 [X] 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. [X]

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

Large Accelerated Filer [X]

Accelerated Filer []

Non-Accelerated Filer []

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 20, 2007, the Registrant had 89,284,629 shares of Common Stock outstanding (\$0.01 par value). On that date, the aggregate market value of the Common Stock held by persons other than those who may be deemed affiliates of Registrant was \$2,097,543,709 (based on the average of the reported high and low sales prices on NASDAQ on such date).

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the Company's Notice of Annual Meeting of Stockholders and Proxy Statement for its 2007 Annual Meeting of Stockholders (the "Proxy Statement"), as described in the footnotes to the Table of Contents below, are incorporated by reference into Part II, Item 5 and into Part III of this Report.

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PART I

Item 1. Business

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

JHA provides its products and services through three marketed brands.

- Jack Henry Banking

is a leading provider of integrated data processing systems to approximately 1,700 banks ranging from de novo or start-up institutions to mid-tier banks with assets in excess of \$1 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 more than 650 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. According to Callahan and Associates' *2007 Credit Union Technology Survey*, a respected source of published data related to the credit union industry, for eight consecutive years Symitar's core processing platforms have been implemented by more credit unions with assets exceeding \$25 million than any competitive system.

- ProfitStars

is a leading provider of highly specialized products and services to financial institutions that are primarily not core customers of the Company. These specialized solutions can be used with a wide variety of information technology platforms and operating environments. ProfitStars' offers proven solutions for generating revenue and growth opportunities, increasing security and mitigating operational risks, and 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 more than 6,400 domestic and international customers.

Our products and services enable our customers to implement proven 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.

Our sustainable competitive advantage is a company-wide commitment to exceed our customers' service-related expectations. We measure and monitor customer satisfaction using formal annual surveys and more than 50,000 online surveys initiated each year by routine support requests. The results of this extensive survey process confirm that our service consistently exceeds our customers' expectations and ultimately generate 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. Based on these strategic initiatives, targeted marketing and sales initiatives, and disciplined acquisition activities, our customer base has increased 190 percent during the four-year period ranging from June 30, 2003 to June 30, 2007, growing from approximately 3,000 customers to more than 8,700 customers.

We have three primary revenue sources:

- Software license fees paid by customers installing our software solutions in-house;
- Ongoing outsourcing fees paid by customers that outsource their information processing to us, recurring transaction processing fees, annual maintenance and support fees, and service fees that include software implementation; and
- Hardware sales that include all non-software products that we re-market in order to support our software systems.

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JHA's gross revenue has grown from \$404.6 million in fiscal 2003 to \$668.1 million in fiscal 2007, representing a compound annual growth rate during this five-year period of 11

percent. Net income from continuing operations has grown from \$49.4 million to \$104.7 million during this same five-year period, representing a compound annual growth rate of 13 percent. Information regarding the classification of our business into separate segments serving the banking and credit union industries is set forth in Note 13 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 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 rewarding levels of employee satisfaction.

Industry Background

Jack Henry Banking primarily serves commercial banks and savings institutions with less than \$20.0 billion in assets, and generated approximately 83 percent of the Company's total revenue in fiscal 2007. According to the Federal Deposit Insurance Corporation ("FDIC"), there were approximately 8,600 commercial banks and savings institutions in this asset range as of December 31, 2006. Jack Henry Banking currently supports more than 1,600 of these banks with its core information processing platforms and complementary products and services.

Symitar serves credit unions of all asset sizes, and generated approximately 17 percent of the Company's total revenue in fiscal 2007. According to the Credit Union National Association ("CUNA"), there were approximately 8,600 domestic credit unions as of December 31, 2006. Symitar currently supports more than 650 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. The related revenue and gross profit are included and reported in our banking and credit union segments. ProfitStars currently supports approximately 6,400 institutions with specialized solutions for generating additional revenue and growth, increasing security and mitigating operational risks, and controlling operating costs.

The FDIC reports the number of commercial banks and savings institutions declined 10 percent from the beginning of calendar year 2002 to the end of calendar year 2006. Although the number of banks declined at a 2 percent compound annual rate during this period, aggregate assets increased at a

compound annual rate of 9 percent and totaled \$10 trillion as of December 31, 2006. Comparing calendar years 2006 to 2005, new bank charters increased 7 percent and mergers increased 9 percent.

CUNA reports the number of credit unions declined 16 percent from the beginning of calendar year 2002 to the end of calendar year 2006. Although the number of credit unions declined at a 4 percent compound annual rate during this period, aggregate assets increased at a

compound annual rate of 7 percent and totaled \$732.5 billion as of December 31, 2006.

According to *Automation in Banking 2007*, approximately 55 percent of all commercial banks currently utilize in-house core information processing solutions and approximately 45 percent outsource information processing to third-party providers. According to the *2007 Credit Union Technology Survey* published by Callahan & Associates, approximately 75 percent of all credit unions with assets exceeding \$25 million utilize in-house core information processing solutions and approximately 25 percent outsource information processing to third-party providers.

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 realizing 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 decision support and business intelligence information;
- Offer the high-demand products and services needed to aggressively and successfully compete with traditional competitors and the 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 an e-commerce strategy that provides the convenience-driven services required in today's financial services industry;
- Protect mission-critical information assets and operational infrastructures;
- Protect customers/members from fraud and the related financial losses;
- Maximize the day-to-day use of technology and the return on technology investments; and
- Ensure full regulatory compliance.

JHA's extensive product and service offering enables diverse financial institutions to effectively 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 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 rewarding levels of customer retention.
- Capitalizing on our focused diversification acquisition strategy.

Focused Diversification Acquisition Strategy

JHA's acquisition strategy, which complements and accelerates our organic growth, focuses on successful companies that provide in-demand products and services, excellent customer relationships, and strong management teams and employee bases.

Historically, our acquisition strategy focused on companies that:

- Expanded our base of core financial institution customers,
- Expanded our suite of complementary products and services that were cross sold almost exclusively to existing customers,
- Enabled our entry into adjacent markets within financial services industry; and/or
- Provided additional outsourcing capabilities/opportunities.

In 2004, we adopted our focused diversification acquisition strategy and began acquiring companies and highly specialized products that are:

- Cross sold to existing core customers;
- Sold outside JHA's base of core bank and credit union customers to financial services organizations of all charters and asset sizes;
- Selectively sold outside the financial services industry to diverse corporate entities; and
- Selectively sold internationally.

Since our focused diversification strategy was adopted, JHA has completed 15 acquisitions that support it and assembled three distinct product suites that enable users to:

- Generate additional revenue and growth opportunities,
- Increase security and mitigate operational risks, and /or
- Control operating costs.

These products and services enable us to expand our reach well beyond our traditional markets with solutions that are appropriate for virtually any financial services organization, including thousands of institutions that we previously did not sell to.

Most of the acquired companies and their respective products and services have been consolidated into our ProfitStars brand. Today, ProfitStars' products and services collectively represent more than 6,400 domestic and international implementations.

Since the beginning of fiscal year 2004, the following acquisitions have been made to support JHA's focused diversification:

Fiscal Year	Company or Product Name	Products and Services
2008	Gladiator Technology	Information Technology Security Services
2007	Margin Maximizer	Loan and Deposit Pricing Solutions
2006	ProfitStar	Asset/Liability Management, Budgeting and Profitability
2005	Tangent Analytics	Business Intelligence Solutions
2005	Stratika	Profitability Solutions
2005	Synergy	Document Imaging
2005	TWS	Item Processing/ATM Deposit Processing
2005	Optinfo	Enterprise Exception Management Solution
2005	Verinex Technologies	Biometric Security Solutions
2005	Select Payment Processing	Payment Processing Solutions
2005	Banc Insurance Services	Insurance Agency Outsourcing
2004	Regulatory Reporting Group	Electronic Regulatory Reporting Solutions
2004	e-ClassicSystems	ATM Channel Management System
2004	PowerPay .ach, .rck and .arc	Automated Clearing House Product Suite
2004	Yellow Hammer Software	Fraud Detection and Prevention Solution
Solutions		

JHA was founded in 1976 as a provider of core information processing solutions for community banks. Today, we provide an extensive array of products and services that enable more than 8,700 financial institutions and corporate entities to capitalize on business opportunities and respond to inherent business challenges with proven 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. Its solutions encompass three functionally distinct core processing systems and more than 100 complementary solutions, including business intelligence and bank management, retail and

business 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 more than 1,600 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. According to Callahan and Associates, a respected source of published data related to the credit union industry, for eight consecutive years Symitar's core processing platforms have been implemented by more credit unions with assets exceeding \$25 million than any competitive alternative, positioning Symitar as the recognized market leader.

- 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 are enhancing the performance of financial services organizations of all asset sizes and charters, and diverse corporate entities with approximately 6,400 domestic and international implementations. 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.

Products and services that meet users' functional requirements are expected in the competitive markets that we serve. 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 based on the core processing solution most compatible with their specific operational requirements.

Jack Henry Banking's three core banking platforms are:

- SilverLake®

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is a robust IBM® System i™-based system primarily designed for commercial-focused banks with assets ranging from \$500 million to \$20 billion. However, an increasing number of progressive smaller banks, including de novo, or recently chartered start-up banks, are now selecting SilverLake. This system has been implemented by more than 450 banks, and now automates approximately 15 percent of the domestic banks with assets ranging from \$1 billion to \$30 billion.

- CIF 20/20®

is a parameter-driven, easy-to-use system that now supports approximately 900 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 more than 200 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 more than 500 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 more than 190 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 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 outsourcing services are provided through a national network of six data center locations and 23 image-enabled item processing centers. Customers electing to outsource their core processing typically sign five-year contracts 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 with proven solutions, 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.

Following are brief overviews of our key complementary products and services, which are categorized into functional product families.

Business Intelligence and Management Solutions

JHA's business intelligence and management solutions enable financial institutions to maximize performance and profits with accessible, accurate, and timely decision-support information. These products and services leverage the processes, technology, and expertise required to compile, report, and analyze customer, product, market, and business information.

Intelligence Warehouse/Intelligence Manager ("IW/IM")

- Business intelligence and analysis platform fully integrated with the SilverLake core banking systems
Business Analytics

- Business intelligence and analysis platform fully integrated with the CIF 20/20 and Episys core systems
Business Analytics/Financial Management Analytics/Operations Management Analytics/Sales Management Analytics

- Business intelligence solutions
Margin Maximizer

- Loan and deposit pricing solution
Synapsys

- ® - Sales force automation solution
Synapsys MCIF Wizard

- Marketing central information file and data mining solution
Account Cross Sell - Automated direct sales solution
Relationship Profitability Management ("RPM")

- Enterprise-wide profitability solution
PROFITability

- ® - Organizational and product profitability system
PROFITstar

- ® *ALM/Budgeting* - Asset/liability management and budgeting system
Regulatory Reporting Solutions

- Electronic FDIC reporting systems
TimeTrack Payroll System

- ™ - Payroll processing solution

Retail Delivery Solutions

JHA's retail delivery solutions enable financial institutions to enhance their customer/member experience, capitalize on the opportunities to expand customer/member relationships at all points of contact, and successfully compete by offering high-demand products and services.

ArgoKeys® Branch Sales Automation

- Fully integrated platform solution

StreamLine Platform Automation

- ® - Sales and service solution

Vertex Teller Automation

- ™ - Sales, service and transaction processing solution

OnTarget™ Deposit Platform

- Sales, service and transaction processing solution

OnTarget Lender

- Sales, service and transaction processing solution

OnTarget Teller Platform

- Sales, service and transaction processing solution

Member Business Services

- Business-driven deposit and loan services

Opening Act

- Online accounting opening solution for deposits and loans

Yellow Hammer™ BSA

- Web-based BSA compliance and risk mitigation solution

Yellow Hammer Fraud Detective

- ™ - Fraud detection/prevention solution

Yellow Hammer Anti-Money Laundering

- Money laundering detection/prevention solution

Synapsys

- Sales force automation solution

Synapsys MCIF Wizard

- Marketing central information file and data mining solution

InTouch Voice Response

- ™ - Full-service telephone banking solution

Bounce Protection

- ® - Overdraft privilege solution

Insurance Agency Outsourcing

- Turnkey insurance agency solution

Business Banking Solutions

JHA's business banking solutions enable banks to enhance their commercial customers' experience, capitalized on the opportunities to expand commercial relationships at all points of contact, and successfully compete by offering high-demand commercial products and services.

NetTeller Cash Management

- ™ - Online, real-time commercial banking solution

NetTeller Bill Pay

- ™ - Electronic bill payment solution

Check Collect Recovery Services

- Automated consumer check recovery

Remote Deposit Capture and Merchant Deposit Capture

- High and low volume remote deposit solutions

ACH/Check Conversion Services

- Electronic check conversion and processing service

Mutual Fund Sweep

- Off-balance sheet sweep solution

The Reserve

- On-balance sheet cash management sweep solution

Electronic Funds Transfer (EFT) Solutions

JHA's EFT solutions provide a secure, reliable, end-to-end transaction processing platform for the high-demand EFT services required to compete in today's financial services industry.

PassPort.pro

- ™ - Online authorization and ATM driving solution

PassPort.atm

- ™ - ATM processing and network switching service

PassPort.dc

- ™ - Turnkey service for debit card programs

PassPort.asp

- ™ - Outsourced ATM solution for in-house processing environments

PassPort Prepaid Value Cards

- Stored value card solution

ImageCenter ATM Deposit Management

- ATM deposits automation solution
Remote Deposit Capture and Merchant Deposit Capture
- High and low volume remote deposit solutions
ACH/Check Conversion Services
- Electronic check conversion and processing service
Yellow Hammer EFT Fraud Detective
- EFT fraud detection/prevention solution
ATM Manager Pro
- ® - ATM channel management solutions

Internet Banking Solutions

JHA's Internet banking solutions support convenience-driven consumers with account access and the ability to initiate transactions and conduct self-directed research 24x7x365.

NetTeller Online Banking

™ - Bank-branded Internet banking solution
NetTeller Cash Management

- Online commercial account management solution
NetTeller Bill Pay

- Electronic bill payment solution
DirectLine

™OFX - Internet banking solution for PC-based financial management systems
Opening Act

- Online account opening solution for deposits and loans
Multifactor Authentication

- Two-factor authentication solution for online transactions
RSA® FraudActionSM

- Anti-phishing/anti-pharming risk mitigation solution
Electronic Statements

- E-statement generation and delivery solution
Electronic Statements - Interactive

- Electronic generation and delivery of customer communications

Risk Management and Protection Solutions

JHA's risk management and protection solutions enable financial institutions to manage their assets, protect their customers/members from fraud and the related financial losses, prepare to conduct business in the event of a disaster,

and fully comply with the related regulatory requirements.

Biodentify

® - Biometric identity management solution
Centurion Disaster Recovery

® - Disaster recovery services for core and complementary solutions
Centurion Business Continuity Planning

- Enterprise-wide business continuity consulting
Yellow Hammer BSA

- Web-based BSA compliance and risk mitigation solution
Yellow Hammer Fraud Detective

- Fraud detection/prevention solution
Yellow Hammer Anti-Money Laundering

- Money laundering detection/prevention solution
Yellow Hammer EFT Fraud Detective

- EFT fraud detection/prevention solution
Multifactor Authentication

- Two-factor authentication solution for online transactions
RSA® FraudActionSM

- Anti-phishing/anti-pharming risk mitigation solution
Enterprise Exception Management Suite ("eEMS")

- Enterprise risk management solution
Risk Manager

- Enterprise risk management solution
AlertManager

- Check-related fraud detection/prevention system
Gladiator CoreDEFENSE Network Security

- Managed network security services
PROFITability

- Organizational and product profitability system *
PROFITstar ALM/Budgeting

- Asset/liability management and budgeting system *
Regulatory Reporting Solutions

- Electronic FDIC reporting systems

Item and Document Imaging Solutions

JHA's imaging solutions revolutionize item processing by converting paper-based checks into digital checks and processing them electronically. Its document imaging and management solutions convert virtually any paper-based document into a digital document that can be electronically stored, immediately retrieved, and efficiently delivered.

4Isight™ Item Imaging

- Check imaging platform
ImageCenter

- Check imaging platform *
Check 21 Solutions

- Check image clearing platform
Synergy Enterprise Content Management (ECM)

- Modular ECM solution
Enterprise Conversion Solutions

- Image and data conversion solutions

Professional Services and Education

JHA's professional services and education enable financial institutions to proactively protect their mission-critical information assets and operational infrastructures, further streamline operations, maximize the day-to-day use of technology-based solutions, maximize their return on technology investments, and ensure related regulatory compliance.

Know-It-All Education

- Initial and ongoing education
Intellix Consulting

- Operational assessments
Matrix Network ServicesSM

- LAN/WAN design, implementation and support services
Centurion Disaster Recovery

- Disaster recovery services for core and complementary solutions
Centurion Business Continuity Planning

- Enterprise-wide business continuity consulting
Insurance Agency Outsourcing

- Turnkey insurance agency outsourcing solution

JHA regularly introduces new products and services based on demand for integrated complementary solutions from our existing core clients; and 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, formally 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.

jXchange

Although JHA provides one of the most extensive product offerings available today, our experience supporting core bank and credit union clients has demonstrated that diverse financial services organizations have niche product requirements outside the Company's offering. In response, we developed jXchange, a services-oriented architecture on a .NET platform that provides open connectivity between our core and complementary solutions and third-party products. This contemporary integration methodology increases financial institutions' operating flexibility, and enables them to leverage existing and future technology investments.

Hardware Systems

Hardware sales, which include all non-software products that we re-market in order to support our software systems, represent one of our primary revenue sources.

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 System i, System p, and System x servers; IBM workstations; Dell servers and workstations; NCR, BancTec, and Unisys check transports; and other devices that complement our software solutions.

JHA has maintained a long-term strategic relationship with IBM, dating back to the development of our first core software applications over 30 years ago. This relationship has resulted in IBM naming JHA as a "Premier Business Partner" every year since 1993.

Implementation and Training

While it is not essential, the majority of our core bank and credit union customers contract separately 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, 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;
- Superior support staffs available 24 hours-a-day, 365 days-a-year;
- Assigned account managers;
- Sophisticated support tools, resources, and technology; and
- A best practices methodology developed and refined through the company-wide, day-to-day experience supporting more than 8,700 diverse clients.

JHA's experience converting diverse banks and credit unions to our core platforms from every competitive platform also provides highly effective change management and control processes.

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 percent 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-rata 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 60 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 than 50,000 online surveys initiated each year by routine support requests. This process shows that we consistently exceed our customers' service-related expectations.

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. 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. 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 contacts 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 the USA Patriot Act.

Internal audits of our systems, networks, operations, and applications are conducted and specialized outside firms are periodically engaged to perform testing and validation of our systems, processes, 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 SAS 70 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.

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 2007, 2006, and 2005 were \$36.0 million, \$31.9 million, and \$27.7 million, respectively. Capitalized software for fiscal years 2007, 2006 and 2005 was \$20.7 million, \$16.1 million, and \$7.8 million, respectively.

Sales and Marketing

JHA serves established, well defined markets that inherently 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 \$20.0 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. Jack Henry Banking also has been extremely successfully selling its core and complementary solutions to a significant number of the de novo banks chartered during the past two years. 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. Each of JHA's business brands also hosts an annual national user group meeting which provides 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 now has approximately 41 installations in Europe and South America as a result of recent acquisitions. International sales account for less than one percent of JHA's total

revenue in each of the three years ended June 30, 2007, 2006, and 2005.

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, 2007 totaled \$239.3 million, consisting of \$68.1 million for in-house products and services, and \$171.2 million for outsourcing services. Approximately \$126.0 million of the outsourcing services backlog as of June 30, 2007 is not expected to be realized during fiscal year 2008 due to the long-term nature of many outsourcing contracts. Backlog as of June 30, 2006 totaled \$222.0 million, and consisted of \$66.4 million for in-house products and services, and \$155.6 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 year 2008 the backlog is expected to remain constant due to renewals of existing relationships and new contracting activities expected to surpass the revenue recognized.

Competition

The market for companies providing technology solutions to financial services organizations is competitive, and we expect 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. During the last 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 competes with large vendors that provide information and transaction processing solutions to banks, including Fidelity Information Services, Inc.; Fiserv, Inc.; and Metavante. Symitar competes with large vendors that provide information and transaction processing solutions to credit unions, including Fidelity Information Services, Inc.; Fiserv, Inc.; Open Solutions, 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.

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. We must ensure that our products and services 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, and the Community Reinvestment 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. It is not possible to predict the impact these regulations, any future amendments to these regulations or any newly implemented regulations could 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.

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 and MemberConnect™ online 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 outsourcing services also are subject to examination by state banking authorities on occasion.

Employees

As of June 30, 2007 and 2006, JHA had 3,583 and 3,310 full-time employees, respectively. Of our employees, approximately 640 are employed in the credit union segment of our business, with the remainder employed in the bank business 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.

Available Information

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

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.

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.

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.

Security problems could damage our reputation and business.

We rely on 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. Computer networks and the Internet are vulnerable to unauthorized access, computer viruses and other disruptive problems. Individual personal computers can be stolen, and customer data tapes 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.

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.

Acquisitions may be costly and difficult to integrate.

We have acquired a number of businesses in the last few years 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. Without additional acquisitions, we may not be able to grow and to develop new products and services as quickly as we have in the past to meet the competition. 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.

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, 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, we may need to lower prices or offer favorable terms in order to successfully compete.

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.

Consolidation of financial institutions will continue to reduce the number of our customers and potential customers.

Our primary market consists of approximately 9,000 commercial and savings banks and 9,000 credit unions. The number of commercial banks and credit unions has decreased because of mergers and acquisitions over the last several decades and is expected to continue to decrease as more consolidation occurs.

The services we provide to our customers are subject to government regulation that could hinder the development of portions of our business 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 and the Federal Deposit Insurance Corporation, 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 has a negative impact on our existing operations or that limits our future growth or expansion. 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. 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.

As technology becomes less expensive and more advanced, purchase prices of hardware are declining and our revenues and profits from remarketing arrangements may decrease.

Computer hardware technology is rapidly developing. Hardware manufacturers are producing less expensive and more powerful equipment each year, and we expect this trend to continue into the future. As computer hardware becomes less expensive, revenues and profits derived from our hardware remarketing may decrease and become a smaller portion of our revenues and profits.

An operational failure in our outsourcing facilities could cause us to lose customers.

Damage or destruction that interrupts our outsourcing operations could damage our relationship with customers and may cause us to incur substantial additional expense to repair or replace damaged equipment. Our back-up systems and procedures may not

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prevent disruption, such as a prolonged interruption of our transaction processing services. In the event that an interruption of our network extends for more than several hours, we may experience data loss or a reduction in revenues by reason of such interruption. In addition, a significant interruption of service could have a negative impact on our reputation and could lead our present and potential customers to choose other service providers.

If our strategic relationship with IBM were terminated, it could have a negative impact on the continuing success of our business.

We market and sell IBM hardware and equipment to our customers under an IBM Business Partner Agreement and resell maintenance on IBM hardware products to our customers. Much of our software is designed to be compatible with the IBM hardware that is run by a majority of our customers. If IBM were to terminate or fundamentally modify our strategic relationship, our relationship with our customers and our revenues and earnings could suffer. We could also lose software market share or be required to redesign existing products or develop new products for new hardware platforms.

If others claim that we have infringed their intellectual property rights, we could be liable for significant damages.

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.

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.

Increases in service revenue as a percentage of total revenues may decrease overall margins.

We continue to experience a trend of a greater proportion of our products being sold as outsourcing services rather than in-house licenses. We realize lower margins on service revenues than on license revenues. Thus, if service revenue increases as a percentage of total revenue, our gross margins will be lower and our operating results may be impacted.

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 3-5 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, 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 and San Diego, California. In addition, we own 36.4 acres of unimproved land in Springfield, Missouri. Our owned facilities represent approximately 793,000 square feet of office space in nine states. We have 51 leased office facilities in 25 states, which total approximately 422,000 square feet. Approximately 26% or 46,000 square feet of the office space in Allen, TX is leased to an outside tenant. The balance of our owned and leased office facilities are for normal business purposes.

Of our facilities, the credit union business segment uses office space totaling approximately 128,000 square feet in nine facilities. The majority of our San Diego, California offices are used in the credit union business segment, as are portions of eight other office facilities. The remainder of our leased and owned facilities, approximately 1,087,000 square feet of office space, is primarily devoted to serving our bank business segment or supports our whole business.

We own six aircraft and lease a seventh. 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

We are subject to various routine legal proceedings and claims arising in the ordinary course of business. We do not expect that the results in any of these legal proceedings will have a material adverse effect on our business, financial condition, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

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 2007

	High	Low
First Quarter	\$22.20	\$17.40
Second Quarter	23.20	21.02
Third Quarter		

	24.67
	20.57
Fourth Quarter	
	26.75
	23.54
Fiscal 2006	
	High
	Low
First Quarter	
	\$19.80
	\$18.04
Second Quarter	
	19.62
	16.56
Third Quarter	
	22.98
	19.09
Fourth Quarter	
	23.77
	18.14

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, 2007 and 2006 are as follows:

Fiscal 2007	Dividend
First Quarter	\$0.055
Second Quarter	0.055
Third Quarter	0.065
Fourth Quarter	0.065

Fiscal 2006	Dividend
First Quarter	\$0.045
Second Quarter	0.045
Third Quarter	0.055
Fourth Quarter	0.055

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 20, 2007, there were approximately 44,000 holders of the Company's common stock. On that same date the last sale price of the common shares as reported on NASDAQ was \$25.96 per share.

Issuer Purchases of Equity Securities

The following shares of the Company were repurchased during the quarter ended June 30, 2007:

Period	Total Number of Shares Purchased	Average Price of Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number Shares that May Yet Be Purchased Under the Plans ⁽¹⁾
April 1 - April 30, 2007	143,600	\$ 23.78	143,600	3,817,875
May 1 - May 31, 2007	617,433	\$ 25.25	617,433	3,200,442
June 1 - June 30, 2007	310,793	\$ 25.87	310,793	2,889,649
Total	1,071,826	\$ 25.23	1,071,826	2,889,649

(1)

Purchases made under the stock repurchase authorization approved by the Company's Board of Directors on October 4, 2002 with respect to 3.0 million shares, which was increased by 2.0 million shares on April 29, 2005. On August 25, 2006, following the end of the quarter, the Company's Board of Directors approved an additional 5.0 million share increase to the stock repurchase authorization. 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, 2007, 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:

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

	JKHY	Peer Group	S & P 500
2002	100.00	100.00	100.00
2003	107.73	100.27	100.25
2004	122.67	113.88	119.41
2005	112.75	116.86	126.96
2006	122.29	130.92	137.92
2007	161.88	162.92	166.32

This comparison assumes \$100 was invested on July 1, 2002, 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 Bisys Group, Cerner Corp., Computer Sciences Corp., Efund Corp., Euronet Worldwide Inc., Fair Isaac Corp., Fidelity National Financial, Fiserv Inc., Marshall & Ilsley Corp., National Datacomputer Com, SEI Investments Company and First Data Corp.

Item 6. Selected Financial Data

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

YEAR ENDED JUNE 30,

Income Statement Data

	2007	2006	2005	2004	2003
Revenue ⁽¹⁾	\$ 668,062	\$ 592,205	\$ 535,863	\$ 467,415	\$ 404,627
Net income	\$ 104,681	\$ 89,923	\$ 75,501	\$ 62,315	\$ 49,397
Diluted net income per share	\$ 1.14	\$ 0.96	\$ 0.81	\$ 0.68	\$ 0.55
Dividends declared per share	\$ 0.24	\$ 0.20	\$ 0.17	\$ 0.15	\$ 0.14

Balance Sheet Data

Working capital	\$ 19,908	\$ 42,918	\$ 13,710	\$ 85,818	\$ 70,482
Total assets	\$ 999,340	\$ 906,067	\$ 814,153	\$ 653,614	\$ 548,575
Long-term debt	\$ 128	\$ 421	\$ -	\$ -	\$ -
Stockholders' equity	\$ 598,365	\$ 575,212	\$ 517,154	\$ 442,918	\$ 365,223

(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 discussion and analysis should be read in conjunction with the "Selected Financial Data" and the consolidated financial statements and related notes included elsewhere in this report.

OVERVIEW

Background and Overview

We provide integrated computer systems for in-house and outsourced data processing to commercial banks, credit unions and other financial institutions. We have developed and acquired banking and credit union application software systems that we market, together with compatible computer hardware, to these financial institutions. We also perform data conversion and software implementation services for our systems and provide continuing customer support services after the systems are implemented. For our customers who prefer not to make an up-front capital investment in software and hardware, we provide our full range of products and services on an outsourced basis through our eight data centers and 23 item-processing centers located throughout the United States.

A detailed discussion of the major components of the results of operations follows. All amounts are in thousands and discussions compare fiscal 2007 to fiscal 2006 and compare fiscal 2006 to fiscal 2005.

We derive revenues from three primary sources:

- software licenses;
- support and service fees, which include implementation services; and
- hardware sales, which includes all non-software remarketed products.

Over the last five fiscal years, our revenues have grown from \$404,627 in fiscal 2003 to \$668,062 in fiscal 2007. Net income has grown from \$49,397 in fiscal 2003 to \$104,681 in fiscal 2007. This growth has resulted primarily from internal expansion supplemented by strategic acquisitions, allowing us to develop and acquire new products and services for approximately 2,300 customers who utilize our core software systems as of June 30, 2007.

Since the start of fiscal 2004, we have completed 15 acquisitions, including one completed after June 30, 2007. All of these acquisitions were accounted for using the purchase method of accounting and our consolidated financial statements include the results of operations of the acquired companies from their respective acquisition dates.

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 location.

Support and services fees are generated from implementation services contracted with us by the customer, ongoing support services to assist the customer in operating the systems and to enhance and update the software, and from providing outsourced data processing services and Electronic Funds Transfer ("EFT") support services. Outsourcing services are performed through our data and item processing centers. Revenues from outsourced item and data processing and EFT support services are primarily derived from monthly usage or transaction fees typically under five-year service contracts with our customers.

Cost of license fees represents the third party vendor costs associated with license fee revenue.

Cost of services represents costs associated with conversion and implementation efforts, ongoing support for our in-house customers, operation of our data and item processing centers providing services for our outsourced customers, EFT services, and direct operation costs.

We have entered into remarketing agreements with several hardware manufacturers under which we sell computer hardware and related services to our customers. Cost of hardware consists of the direct and related costs of purchasing the equipment from the manufacturers and delivery to our customers.

We have two business 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.

RESULTS OF OPERATIONS

FISCAL 2007 COMPARED TO FISCAL 2006

Fiscal 2007 showed strong growth in support and service revenues and improved gross and operating margins, tempered somewhat by decreases in software license revenues. This performance allowed us to leverage a 13% increase in total revenue to a 16% increase in net income.

REVENUE

License Revenue

	<u>Year Ended June 30,</u>		<u>%</u>
	<u>2007</u>	<u>2006</u>	<u>Change</u>
License	\$ 76,403	\$ 84,014	-9%
Percentage of total revenue	11%	14%	

License revenue represents the delivery and acceptance of application software systems contracted by us with 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 location.

License revenue decreased by \$7,611 compared to last fiscal year mainly due to a decrease in the number of new license agreements and an overall decrease in the average transaction size in comparison to the prior fiscal year. When compared with last year, many of our software solutions experienced a decrease in license revenue. Those products that had the most significant decreases included Yellow Hammer Fraud Detective™ (our fraud detection/prevention solution), Silverlake® (our flagship core software solution for larger banks), NetTeller Online Banking™ (our bank-branded internet banking solution), and Episys® (our flagship core software solution for larger credit unions). A significant portion of the decrease in license revenue can be attributed to the continuing shift in demand from banks and credit unions toward our outsourcing services from an in-house delivery, which do not require software license agreements. Another contributing factor is the market penetration we have with several of our products including Episys and NetTeller which has caused us to anticipate reduced license sales for these products compared to prior years.

Support and Service Revenue

	<u>Year Ended June 30,</u>		<u>%</u>
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Support and service	\$ 503,317	\$ 425,661	+18%
Percentage of total revenue	75%	72%	

Year Over Year Change	<u>\$ Change</u>	<u>% Change</u>
In-House Support & Other Services	\$ 21,369	11%
EFT Support	28,879	38%
Outsourcing Services	15,963	16%

Implementation Services	11,445	24%
Total Increase	\$ 77,656	

Support and service revenues are generated from implementation services (including conversion, installation, configuration and training), annual support to assist the customer in operating their systems and to enhance and update the software, outsourced data processing services and EFT support services.

There was strong growth in all of the support and service revenue components. In-house support and other services increased partially as a result of increased implementations of recently acquired products. In addition, because annual maintenance fees are based on supported institutions' asset size, in-house support revenues increase as our customers' assets grow. EFT support, which includes ATM/debit card processing, on-line bill pay, remote deposit capture and Check 21 transaction processing services, experienced the largest percentage and dollar growth. Outsourcing services for banks and credit unions also continue to drive revenue growth at a strong pace as we add new bank and credit union customers and increase volume. Implementation services revenue increased during the year primarily due to an increase in the number of in-house implementations, as well as an increase in merger conversions for existing customers that acquired other financial institutions.

Hardware Revenue

	<u>Year Ended June 30,</u>		<u>%</u>
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Hardware	\$ 88,342	\$ 82,530	+7%
Percentage of total revenue	13%	14%	

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 mainly due to an increase in the number of hardware systems and components delivered in the year compared to last fiscal year. In particular, there has been a significant increase in revenue from hardware components used in our remote deposit capture product for imaging and exchanging of checks.

COST OF SALES AND GROSS PROFIT

Cost of license represents the cost of software from third party vendors through remarketing agreements. 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, EFT processing services and direct operating costs. These costs are recognized as they are incurred. Cost of hardware consists of the direct and related 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.

Cost of Sales and Gross Profit

Year Ended June 30,

%
Change

2007

2006

Cost of License

\$ 4,277

\$ 2,717

+57%

Percentage of total revenue

<1%

<1%

License Gross Profit

\$ 72,126

\$ 81,297

-11%

Gross Profit Margin

94%

97%

Cost of support and service

\$ 312,138

\$ 272,383

+15%

Percentage of total revenue

47%

32

	46%
Support and Service Gross Profit	
	\$ 191,179
	\$ 153,278
	+25%
Gross Profit Margin	
	38%
	36%
Cost of hardware	
	\$ 65,469
	\$ 60,658
	+8%
Percentage of total revenue	
	10%
	10%
Hardware Gross Profit	
	\$ 22,873
	\$ 21,872
	+5%
Gross Profit Margin	
	26%
	27%
	33

TOTAL COST OF SALES

\$ 381,884

\$ 335,758

+14%

Percentage of total revenue

57%

57%

TOTAL GROSS PROFIT

\$ 286,178

\$ 256,447

+12%

Gross Profit Margin

43%

43%

Cost of license increased for the fiscal year due to greater third party reseller agreement software vendor costs. Gross profit margin on license revenue decreased because a larger percentage of the revenue from licenses was attributable to these sales under reseller agreements where the gross margins are significantly lower than on our owned products. Cost of support and service increased for the year primarily due to additional personnel costs (including an 8% increase in headcount), costs related to the expansion of infrastructure (including depreciation, amortization, and maintenance contracts) and increases in the direct costs of providing services (such as transaction processing charges) as compared to last year. The gross profit margin increased to 38% from 36% in support and service, primarily due to a shift in sales mix toward services with higher margins, such as our EFT Support services. Cost of hardware increased for the year, in line with the increase in hardware sales. Hardware gross profit margin decreased slightly due to lower vendor rebates received during the year compared to the prior year. Incentives and rebates received from vendors fluctuate quarterly and annually due to changing thresholds established by the vendors.

OPERATING EXPENSES

Selling and Marketing

<u>Year Ended June 30.</u>		<u>%</u>
<u>2007</u>	<u>2006</u>	<u>Change</u>

Selling and marketing	\$ 51,045	\$ 50,007	+2%
Percentage of total revenue	8%	8%	

Dedicated sales forces, inside sales teams, technical sales support teams and channel partners conduct our sales efforts for our market 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.

For the 2007 fiscal year, the selling and marketing expenses increase was due to growth in personnel costs, particularly commission expenses. Selling and Marketing expenses remained steady for both years at 8% of total revenue.

Research and Development

	<u>Year Ended June 30.</u>		<u>%</u>
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Research and development	\$ 35,962	\$ 31,874	+13%
Percentage of total revenue	5%	5%	

We devote significant effort and expense to develop new software, to service products and to 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 grew primarily due to employee costs associated with a 13% increase in headcount for ongoing development of new products and enhancements to existing products. Research and development expenses remained at 5% of total revenue for both fiscal years.

General and Administrative

	<u>Year Ended June 30.</u>		<u>%</u>
	<u>2007</u>	<u>2006</u>	<u>Change</u>
General and administrative	\$ 40,617	\$ 35,209	+15%
Percentage of total revenue	6%	6%	

General and administrative costs include all expenses related to finance, legal, human resources, plus all administrative costs. General and administrative expense increased primarily due to employee costs associated with a 3% increase in headcount and increased expenses related to stock options. In addition, during the first half of fiscal 2006, a new accounting system was being actively developed and a percentage of salaries were being capitalized. Also impacting the increase was growth in overhead related costs such as insurance, depreciation and amortization, professional services and maintenance contracts. General and administrative costs remained at 6% of total revenue for both fiscal years.

INTEREST INCOME (EXPENSE)

Interest income increased 65% from \$2,066 to \$3,406 due primarily to larger invested balances coupled with higher interest rates on invested balances. Interest expense increased 30% from \$1,355 to \$1,757 due to borrowings on the revolving bank credit facilities.

PROVISION FOR INCOME TAXES

The provision for income taxes was \$55,522 or 34.6% of income before income taxes in fiscal 2007 compared with \$50,145 or 35.8% of income before income taxes fiscal 2006. The decrease in the percentage for fiscal 2007 is primarily due to the renewal of the Research and Experimentation Credit retroactive to January 1, 2006, which required the recording of an additional six months of credit during fiscal year 2007 related to fiscal year 2006. This created a significant tax benefit (approximately \$3,000 additional benefit over the prior year) for fiscal 2007.

NET INCOME

Net income increased 16% from \$89,923, or \$0.96 per diluted share in fiscal 2006 to \$104,681, or \$1.14 per diluted share in fiscal 2007.

FISCAL 2006 COMPARED TO FISCAL 2005

Fiscal 2006 showed strong growth in support and service revenues and improved gross and operating margins, which allowed us to leverage an 11% increase in total revenue to a 19% increase in net income.

REVENUE**License Revenue**

	<u>Year Ended June 30,</u>		<u>%</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
License	\$ 84,014	\$ 82,374	+2%
Percentage of total revenue	14%	15%	

License revenue represents the delivery and acceptance of application software systems contracted by us with 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 location.

License revenue increased by \$1,640 compared to last fiscal year mainly due to growth in delivery and acceptance of software systems within the banking segment, partially offset by a decrease in the credit union segment which had experienced record revenues in fiscal 2005. Year-to-date license revenue in fiscal 2006 experienced growth in many software solutions. The leading elements were Synergy Intelligent Document Imaging™ (our intelligent document imaging and archiving solution), SilverLake System® (our flagship software solution for larger banks), Biodentify® (our biometric fingerprint security solution), and Fraud Detective™ (our anti-fraud and anti-money laundering software solution). In addition, both PROFITability® (our product profitability solution) and PROFITstar ALM/Budgeting (our asset/liability and budgeting solution), which were acquired during fiscal 2006, contributed to license revenue growth.

Support and Service Revenue

	<u>Year Ended June 30,</u>		<u>%</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Support and service	\$ 425,661	\$ 364,076	+17%
Percentage of total revenue	72%	68%	

Year Over Year Change

	<u>\$ Change</u>	<u>% Change</u>
In-House Support & Other Services	\$ 26,932	16%
EFT Support	18,357	32%
Outsourcing Services	13,714	15%
Implementation Services	2,582	6%
Total Increase	\$ 61,585	

Support and service revenues are generated from implementation services (including conversion, installation, configuration and training), annual support to assist the customer in operating their systems and to enhance and update the software, outsourced data processing services and ATM and debit card processing services.

There was strong growth in all of the support and service revenue components. In-house support and other services increased primarily from additional software licenses sold during the previous twelve months. EFT support, including ATM and debit card transaction processing services, experienced the largest percentage of growth. Our daily transaction counts are rapidly growing as we have added customers and as our customers continue to experience consistent organic growth in ATM and debit card transactions. Outsourcing services for banks and credit unions also continue to drive revenue growth at a strong pace as we add new bank and credit union customers and open new data processing sites. We expect growth in outsourcing to continue as we add services from recent acquisitions to our existing and new customers. Implementation services reflect growth as contracting activity continues for new license implementation as well as for conversion activities for our existing customers who have acquired institutions that had used other software systems.

Hardware Revenue

<u>Year Ended June 30,</u>	<u>%</u> <u>Change</u>
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	<u>2006</u>	<u>2005</u>	
Hardware	\$ 82,530	\$ 89,413	-8%
Percentage of total revenue	14%	17%	

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 continued to decrease as in prior years due to the overall rising equipment processing power and decreasing equipment prices. The Company experienced growth in revenues related to IBM iSeries machines, which was offset by a decrease in revenues related to pSeries machines. These changes are consistent with the changes experienced with our license revenues. In addition, the Company discontinued offering certain services related to uninterruptible power supply equipment during fiscal 2005 which led to a decrease sales of that equipment during fiscal 2006.

COST OF SALES AND GROSS PROFIT

Cost of license represents the cost of software from third party vendors through remarketing agreements. 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, ATM and debit card processing services and direct operating costs. These costs are recognized as they are incurred. Cost of hardware consists of the direct and related 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.

Cost of Sales and Gross Profit

	<u>Year Ended June 30,</u>	
	<u>%</u>	
	<u>Change</u>	
	<u>2006</u>	
	<u>2005</u>	
Cost of License		\$ 2,717
		\$ 5,547
		-51%
Percentage of total revenue		<1%

	1%
License Gross Profit	
	\$ 81,297
	\$ 76,827
	+6%
Gross Profit Margin	
	97%
	93%
Cost of support and service	
	\$ 272,383
	\$ 244,097
	+12%
Percentage of total revenue	
	46%
	46%
Support and Service Gross Profit	
	\$ 153,278
	\$ 119,979
	+28%
Gross Profit Margin	
	36%
	33%

Cost of hardware

\$ 60,658

\$ 63,769

-5%

Percentage of total revenue

10%

12%

Hardware Gross Profit

\$ 21,872

\$ 25,644

-15%

Gross Profit Margin

27%

29%

TOTAL COST OF SALES

\$ 335,758

\$ 313,413

+7%

Percentage of total revenue

57%

58%

TOTAL GROSS PROFIT

\$ 256,447

\$ 222,450

+15%

Gross Profit Margin

43%

42%

Cost of license decreased for the fiscal year due to fewer third party reseller agreement software vendor costs. Gross profit margin on license revenue increased because a smaller percentage of the revenue growth was attributable to these reseller agreements. Cost of support and service increased for the year primarily due to additional personnel costs (including a 9% increase in headcount) and costs related to the expansion of infrastructure (including depreciation, amortization, and maintenance contracts) as compared to last year. The gross profit margin increased to 36% from 33% in support and service, primarily due to efficiencies gained as recent acquisitions have become more fully integrated and to a shift in sales mix toward services with slightly higher margins, such as our ATM and debit card processing services. Cost of hardware decreased for the year, in line with the decrease in hardware sales, primarily due to the types of equipment sold, with varying vendor incentives in the current year. Incentives and rebates received from vendors fluctuate quarterly and annually due to changing thresholds established by the vendors. Hardware gross profit margin decreased due to the number of hardware shipments, sales mix and vendor rebates received throughout the year.

OPERATING EXPENSES

Selling and Marketing

	<u>Year Ended June 30,</u>		<u>%</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Selling and marketing	\$ 50,007	\$ 46,630	+7%
Percentage of total revenue	8%	9%	

Dedicated sales forces, inside sales teams, technical sales support teams and channel partners conduct our sales efforts for our market 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. Our inside sales force markets specific complementary products and services to our existing customers.

For the 2006 fiscal year, the selling and marketing expenses increase was due to growth in personnel costs and additional expenses related to product promotion, and generally correlates to the increase in revenue.

Research and Development

	<u>Year Ended June 30,</u>		<u>%</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Research and development	\$ 31,874	\$ 27,664	+15%
Percentage of total revenue	5%	5%	

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

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Research and development expenses grew primarily due to employee costs associated with a 21% increase in headcount for ongoing development of new products and enhancements to existing products, and depreciation and equipment maintenance expense. Research and development expenses remained at 5% of total revenue for both fiscal years.

General and Administrative

	<u>Year Ended June 30,</u>		<u>%</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
General and administrative	\$ 35,208	\$ 29,087	+21%
Percentage of total revenue	6%	5%	

General and administrative expense increased primarily due to employee costs associated with a 27% increase in headcount and increases in employee benefit costs. Also impacting the increase was growth in overhead related costs such as insurance, professional services and maintenance contracts.

INTEREST INCOME (EXPENSE)

Interest income increased 78% from \$1,162 to \$2,066 due primarily to larger invested balances coupled with higher interest rates on invested balances. Interest expense increased 249% from \$388 to \$1,355 due to borrowings on the revolving bank credit facilities.

PROVISION FOR INCOME TAXES

The provision for income taxes was \$50,145 or 35.8% of income before income taxes in fiscal 2006 compared with \$44,342 or 37.0% of income before income taxes fiscal 2005. The decrease in the percentage for fiscal 2006 is due to several factors, including the Section 199 Deduction for Domestic Production Activities, which is new this year. Also impacting this year's tax rate was the Company's tax treatment of the deduction for meals and entertainment expenses, as well as changes in the estimated state tax rates and from our re-evaluation of changes in state tax laws in relationship to our tax structure.

NET INCOME

Net income increased 19% from \$75,501, or \$0.81 per diluted share in fiscal 2005 to \$89,923, or \$0.96 per diluted share in fiscal 2006.

Business Segment Discussion

Bank Systems and Services

	<u>2007</u>	<u>% Change</u>	<u>2006</u>	<u>% Change</u>	<u>2005</u>
Revenue	\$557,456	+15%	\$482,886	+13%	\$428,695
Gross Profit	\$244,164	+14%	\$214,817	+18%	\$181,792
Gross Profit Margin	44%		44%		42%

In fiscal 2007, the revenue increase in the bank systems and services business segment is primarily due to continued growth in support and service revenue, particularly EFT support which experienced 40% revenue growth. Gross profit margin remained flat as growth generated by increasing EFT support revenue, which carries higher margins than other components of support and service revenue, was offset by decreasing license profit margin. Profit from license

revenue decreased due to both a decrease in revenue and to an increase in the number of sales that were subject to third party seller agreements. Hardware revenue increased by 11%; however, lower vendor rebates during fiscal 2007 compared to fiscal 2006 led to a slightly lower hardware margin.

In fiscal 2006, the revenue increase in the bank systems and services business segment was primarily due to improved license sales for most products and continued growth in support and service revenue. Gross profit increased due to growth in license and support and service revenue, which carry a higher gross profit margin. Support and service revenue, which is the largest component of total revenue for the banking segment, experienced growth in ATM and debit card processing services and in in-house maintenance. The increase in maintenance revenue was largely driven by recent acquisition activity. Hardware revenue, which usually carries a lower gross profit margin, decreased by 10%. The mix of revenue combined with improved procedures and overall cost controls allowed us to leverage our resources, resulting in an increase to our profit margin for fiscal 2006 compared to fiscal 2005.

Credit Union Systems and Services

	2007	% Change	2006	% Change	2005
Revenue	\$110,606	+1%	\$109,319	+2%	\$107,168
Gross Profit	\$42,014	+1%	\$41,630	+2%	\$40,658
Gross Profit Margin	38%		38%		38%

In fiscal 2007, revenues in the credit union systems and services business segment increased slightly from fiscal 2006. This increase is mainly due to growth in support and service revenue, mostly offset by decreases in license and hardware revenue. Support and service revenue, which is the largest component of total revenues for the credit union segment, experienced growth in EFT support (26%) and in outsourcing revenue (24%). Gross profit in this business segment remained flat in fiscal 2007 compared to fiscal 2006.

In fiscal 2006, revenues in the credit union systems and services business segment increased slightly from fiscal 2005. This increase is mainly due to strong growth in support and service revenue, mostly offset by a decrease in license revenue from fiscal 2005 when license revenue was at a historically high level. Support and service revenue, which is the largest component of total revenues for the credit union segment, experienced growth in ATM and debit card processing services and in in-house maintenance. In addition, our data center maintenance revenue grew by 39% over fiscal 2005, which is consistent with our expansion of outsourcing solutions within this segment. Gross profit in this business segment remained flat in fiscal 2006 compared to fiscal 2005.

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 increased to \$88,617 at June 30, 2007 from \$74,139 at June 30, 2006.

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

Year ended June 30,		
2007	2006	2005

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Net income	\$104,681	\$ 89,923	\$ 75,501
Non-cash expenses	56,348	52,788	45,244
Change in receivables	(28,853)	30,413	(35,017)
Change in deferred revenue	24,576	10,561	16,909
Change in other assets and liabilities	17,495	(14,247)	5,638
Net cash from operating activities	\$174,247	\$169,438	\$108,275

Cash provided by operations increased \$4,809 to \$174,247 for the fiscal year ended June 30, 2007 as compared to \$169,438 for the fiscal year ended June 30, 2006. This increase is primarily attributable to an increase in net income, offset by an increase in receivables.

Cash used in investing activities for the fiscal year ended June 2007 was \$92,911 and includes payments for acquisitions of \$34,006, plus \$5,301 paid on earn-outs and other acquisition adjustments. During fiscal 2006, payments for acquisitions totaled \$19,320, plus \$1,425 paid on earn-outs. Capital expenditures for fiscal 2007 were \$34,202 compared to \$45,396 for fiscal 2006. Capital expenditures were higher in fiscal 2006 due primarily to a conversion to a new accounting software system and the acquisition of additional facilities during that year. Cash used for software development in fiscal 2007 was \$20,743 compared to \$16,079 during the prior year.

Net cash used in financing activities for the current fiscal year is \$66,858 and includes the repurchase of 4,335 shares of our common stock for \$98,413 and the payment of dividends of \$21,685. Cash used in financing activities was partially offset by proceeds of \$29,212 from the exercise of stock options and the sale of common stock, \$4,640 excess tax benefits from stock option exercises and \$19,388 net borrowings on revolving credit facilities. During fiscal 2006, net cash used in financing activities included the repurchase of our common stock for \$41,819 and the payment of dividends of \$18,383. As in the current year, cash used in fiscal 2006 was partially offset by proceeds from the exercise of stock options and the sale of common stock of \$20,622, \$4,743 excess tax benefits from stock option exercises and \$5,120 net borrowings on revolving credit facilities.

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 of short-term borrowings on its existing credit facility. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At June 30, 2006, there were 2,766 shares in treasury stock and the Company had the remaining authority to repurchase up to 2,225 shares. On August 25, 2006, the Company's Board of Directors approved a 5,000 share increase to the stock repurchase authorization. During fiscal 2007, the Company repurchased 4,335 shares for \$98,413. The total cost of treasury shares at June 30, 2007 is \$150,184. At June 30, 2007, there were 7,101 shares in treasury stock and the Company had the authority to repurchase up to 2,890 additional shares.

Subsequent to June 30, 2007, the Company's Board of Directors declared a cash dividend of \$.065 per share on its common stock payable on September 21, 2007, to stockholders of record on September 7, 2007. 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.

The Company obtained a bank credit line on April 28, 2006 which provides for funding of up to \$5,000 and bears interest at the bank's prime rate less 1% (7.25% at June 30, 2007). The credit line matures on April 30, 2008. At June 30, 2007, no amount was outstanding.

The Company renewed a credit line on March 7, 2007 which provides for funding of up to \$8,000 and bears interest at the Federal Reserve Board's prime rate (8.25%

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at June 30, 2007). The credit line expires March 7, 2008 and is secured by \$1,000 of investments. There were no outstanding amounts at June 30, 2007.

An unsecured revolving bank credit facility allows short-term borrowing of up to \$150,000, which may be increased by the Company at any time until maturity to \$225,000. The unsecured revolving bank credit facility bears interest at a rate equal to (a) LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus ½% or (b) the Prime Rate), plus an applicable percentage in each case determined by the Company's leverage ratio. The unsecured revolving credit line terminates May 31, 2012. At June 30, 2007, the outstanding revolving bank credit facility balance was \$70,000. This outstanding balance bears at a weighted average rate of 5.94%.

During fiscal years 2007 and 2006, the Company has entered into various capital lease obligations for the use of certain computer equipment. Included in property and equipment are related assets of \$1,169, less accumulated depreciation of \$264. At June 30, 2007, \$631 was outstanding, of which \$503 was included in current maturities. Maturities of capital lease payments by fiscal year are \$503 in fiscal 2008, \$96 in fiscal 2009 and \$32 in fiscal 2010.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At June 30, 2007 the Company's total off-balance sheet contractual obligations were \$22.6 million. This balance consists of \$21.5 million of long-term operating leases for various facilities which expire from 2006 to 2015 and the remaining \$1.1 million is for purchase commitments related to property and equipment. The Company also has contingent earn-out obligations of up to \$23.6 million to the sellers in three acquisitions completed during fiscal year 2005. These amounts are payable over one to three years based variously upon gross revenues, net earnings and net operating income achieved by the individual acquired business units.

Contractual obligations by period as of June 30, 2007	Less than 1 year	1-3 years	3-5 years	More than 5 years	TOTAL
Operating lease obligations	\$ 5,528	\$ 9,516	\$ 3,814	\$ 2,591	\$ 21,449
Capital lease obligations	503	128	-	-	631
Note payable	70,000	-	-	-	70,000
Purchase obligations	1,132	-	-	-	1,132
Total	\$ 77,163	\$ 9,644	\$ 3,814	\$ 2,591	\$ 93,212

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement on Financial Accounting Standards ("SFAS") No. 154, *Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3* ("SFAS 154"). SFAS 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented using the accounting principle. SFAS 154 is effective for accounting changes and corrections of errors in fiscal years beginning after December 15, 2005. The Company adopted SFAS 154 effective July 1, 2006. Since there have been no material accounting changes or errors since that time, the adoption did not have a material impact on the Company's results of operations or financial condition.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes

recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides related guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. FIN 48 is effective for the Company beginning July 1, 2007. The Company is currently evaluating the impact of this pronouncement.

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides guidance on how prior year misstatements should be considered when quantifying misstatements in current year financial statements for purposes of assessing materiality. SAB 108 requires that a registrant assess the materiality of a current period misstatement by determining how the current period's balance sheet would be affected in correcting a misstatement without considering the year(s) in which the misstatement originated and how the current period's income statement is misstated, including the reversing effect of prior year misstatements. SAB 108 was effective for the Company on June 30, 2007. The cumulative effect of applying SAB 108 may be recorded by adjusting current year beginning balances of the affected assets and liabilities with a corresponding adjustment to the current year opening balance in retained earnings if certain criteria are met. The adoption of this bulletin did not have a material impact on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and requires enhanced disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. SFAS 157 is effective for the Company beginning July 1, 2007. The Company is currently evaluating the impact of this pronouncement.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including and amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure its financial assets and liabilities. If the use of fair value is elected, any upfront costs and fees related to the item must be recognized in earnings and cannot be deferred. The fair value election is irrevocable and generally made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to measure based on fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to retained earnings. Subsequent to the adoption of SFAS 159, changes in fair value are recognized in earnings. SFAS 159 is effective for the Company beginning July 1, 2008. The Company is currently determining whether fair value accounting is appropriate for any of its eligible items and cannot estimate the impact, if any, which SFAS 159 will have on its 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 the provisions of Statement of Position ("SOP") 97-2, "Software Revenue Recognition," as amended by SOP 98-9, "Software Revenue Recognition, with Respect to Certain Transactions," and clarified by Staff Accounting Bulletin ("SAB") 101, "Revenue Recognition in Financial Statements," SAB 104, "Revenue Recognition," and Emerging Issues Task Force Issue No. 00-21 ("EITF 00-21"), "Accounting for Revenue Arrangements with Multiple Deliverables." 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.

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. SOP 97-2, as amended by SOP 98-9, generally requires 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. 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 the residual method allowed by SOP 98-9. 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, 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. 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 ATM, debit card, and other transaction processing services revenues are recognized 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. For these transactions, the Company follows the guidance provided in EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." Based upon the indicators provided within this consensus, the Company records the revenue related to our drop-ship transactions at gross and the related costs are included in cost of hardware. 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 and to develop or purchase internal-use software. 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. For commercial software products, determining 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 deferred income taxes

We make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. We also must determine the likelihood of recoverability of deferred tax assets, and adjust any valuation allowances accordingly. Considerations include the period of expiration of the tax asset, planned use of the tax asset, and historical and projected taxable income as well as tax liabilities for the tax jurisdiction to which the tax asset relates. Valuation allowances are evaluated periodically and will be subject to change in each future reporting period as a result of changes in one or more of these factors.

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 forecasted 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. Significant changes in the estimates and assumptions used in purchase accounting and goodwill impairment testing can have a material effect on the consolidated financial statements.

FORWARD LOOKING STATEMENTS

Except for the historical information contained herein, the matters discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this report contain forward-looking statements within the meaning of federal securities laws. Actual results are subject to risks and uncertainties, including both those specific to the Company and those specific to the industry, which could cause results to differ materially from those contemplated. The risks and uncertainties include, but are not limited to, the matters detailed in "Risk Factors" in Item 1A of this report. Undue reliance should not be placed on the forward-looking statements. The Company does not undertake any obligation to publicly update any forward-looking statements.

Potential risks and uncertainties which could adversely affect the Company include: the financial health of the financial services industry, our ability to continue or effectively manage growth, adapting our products and services to changes in technology, changes in our strategic relationships, price competition, loss of key employees, consolidation in the banking or credit union industry, increased government regulation, network or internet security problems, operational problems in our outsourcing facilities and others listed in "Risk Factors" at Item 1A.

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 investments in U.S. government securities. We actively monitor these risks through a variety of controlled procedures involving senior management. We do not currently use any derivative financial instruments. Based on the controls in place, credit worthiness of the customer base and the relative size of these financial instruments, we believe the risk associated with these instruments will not have a material adverse effect on our consolidated financial position or results of operations.

Item 8. Financial Statements and Supplementary Data

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Financial Statement Schedules

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Jack Henry & Associates, Inc. and subsidiaries (the "Company") as of June 30, 2007 and 2006, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 and subsidiaries at June 30, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2007, 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 effectiveness of the Company's internal control over financial reporting as of June 30, 2007, 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 29, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

St. Louis, Missouri

August 29, 2007

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 2007 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, 2007 was effective.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2007 has been audited by the Company's independent registered public accounting firm, as stated in their report appearing on the next page, which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of June 30, 2007.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, that Jack Henry & Associates, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of June 30, 2007, based on criteria established in *Internal Control-Integrated Framework* 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. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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, management's assessment that the Company maintained effective internal control over financial reporting as of June 30, 2007, is fairly stated, in all material respects, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2007, based on the criteria established in *Internal Control-Integrated Framework* 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, 2007 of the Company and our report dated August 29, 2007 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

St. Louis, Missouri

August 29, 2007

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data)

YEAR ENDED JUNE 30,

2007

2006

2005

REVENUE

License

\$ 76,403

\$ 84,014

\$ 82,374

Support and service

503,317

425,661

364,076

Hardware

88,342

82,530

89,413

Total

668,062

592,205

535,863

COST OF SALES

Cost of license

4,277

2,717

5,547

Cost of support and service

312,138

	272,383
	244,097
Cost of hardware	
	65,469
	60,658
	63,769
Total	
	381,884
	335,758
	313,413
GROSS PROFIT	
	286,178
	256,447
	222,450
OPERATING EXPENSES	
Selling and marketing	
	51,045
	50,007
	46,630
Research and development	
	35,962
	31,874

	27,664
General and administrative	
	40,617
	35,209
	29,087
Total	
	127,624
	117,090
	103,381
OPERATING INCOME	
	158,554
	139,357
	119,069
INTEREST INCOME (EXPENSE)	
Interest income	
	3,406
	2,066
	1,162
Interest expense	
	(1,757)
	(1,355)
	(388)

Total	
	1,649
	711
	774
INCOME BEFORE INCOME TAXES	
	160,203
	140,068
	119,843
PROVISION FOR INCOME TAXES	
	55,522
	50,145
	44,342
NET INCOME	
	\$ 104,681
	\$ 89,923
	\$ 75,501
Diluted net income per share	
	\$ 1.14
	\$ 0.96
	\$ 0.81
Diluted weighted average shares outstanding	

	92,032
	93,787
	92,998
Basic net income per share	
	\$ 1.16
	\$ 0.98
	\$ 0.83
Basic weighted average shares outstanding	
	90,155
	91,484
	90,891

See notes to consolidated financial statements.

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

	JUNE 30,	
	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 88,617	\$ 74,139
Investments, at amortized cost	989	2,181
Receivables	209,242	180,295
Prepaid expenses and other	24,130	24,402
Prepaid cost of product	24,147	22,228
Deferred income taxes	3,260	3,165
Total current assets	350,385	306,410
PROPERTY AND EQUIPMENT, net	249,882	251,632
OTHER ASSETS:		
Prepaid cost of product	15,009	15,191
Computer software, net of amortization	59,190	43,840
Other non-current assets	10,754	9,285
Customer relationships, net of amortization	61,248	63,162
Trade names	4,009	4,009

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Goodwill	248,863	212,538
Total other assets	399,073	348,025
Total assets	\$ 999,340	\$ 906,067

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 11,481	\$ 14,525
Accrued expenses	34,920	29,012
Accrued income taxes	17,882	3,312
Note payable and current maturities of capital leases	70,503	50,241
Deferred revenues	195,691	166,402
Total current liabilities	330,477	263,492

LONG TERM LIABILITIES:

Deferred revenues	16,865	19,317
Deferred income taxes	53,290	47,430
Other long-term liabilities, net of current maturities	343	616
Total long term liabilities	70,498	67,363

Total liabilities	400,975	330,855
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STOCKHOLDERS' EQUITY

Preferred stock - \$1 par value; 500,000 shares authorized, none issued	-	-
Common stock - \$0.01 par value: 250,000,000 shares authorized;		
Shares issued at 06/30/07 were 96,203,030		
Shares issued at 06/30/06 were 93,955,663	962	939
Additional paid-in capital	262,742	224,195
Retained earnings	484,845	401,849
Less treasury stock at cost 7,100,967 shares		
at 06/30/07, 2,766,062 shares at 06/30/06	(150,184)	(51,771)
Total stockholders' equity	598,365	575,212
Total liabilities and stockholders' equity	\$ 999,340	\$ 906,067

See notes to consolidated financial statements.

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

		YEAR ENDED JUNE 30,		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
PREFERRED SHARES:		-	-	-
COMMON SHARES:				
Shares, beginning of year		93,955,663	92,050,778	90,519,856
Shares issued upon exercise of stock options		2,218,395	1,869,659	1,381,085
Shares issued for Employee Stock Purchase Plan		28,972	35,226	32,111
Shares issued in acquisition		-	-	117,726
Shares, end of year		96,203,030	93,955,663	92,050,778
COMMON STOCK - PAR VALUE \$0.01 PER SHARE:				
Balance, beginning of year	\$	939	920	905
Shares issued upon exercise of stock options		23	19	14
Shares issued in acquisition		-	-	1
Balance, end of year	\$	962	939	920
ADDITIONAL PAID-IN CAPITAL:				
Balance, beginning of year	\$	224,195	195,878	175,706
Shares issued upon exercise of stock options		28,557	19,909	14,250
Shares issued for Employee Stock Purchase Plan		632	694	780
Shares issued in acquisition		-	-	2,240
Tax benefit on exercise of stock options		8,355	7,260	6,858
Stock-based compensation expense		1,003	454	-
Cost of treasury shares reissued		-	-	(3,956)
Balance, end of year	\$	262,742	224,195	195,878
RETAINED EARNINGS:				
Balance, beginning of year	\$	401,849	330,308	271,433
Net income		104,681	89,924	75,501
Reissuance of treasury shares		-	-	(1,170)
Dividends (2007- \$0.24 per share; 2006-\$0.20 per share; 2005-\$0.17 per share)		(21,685)	(18,383)	(15,456)

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Balance, end of year	<u>\$ 484,845</u>	<u>\$ 401,849</u>	<u>\$ 330,308</u>
TREASURY STOCK:			
Balance, beginning of year	\$ (51,771)	\$ (9,952)	\$ (5,126)
Purchase of treasury shares	(98,413)	(41,819)	(9,952)
Reissuance of treasury shares upon exercise of stock options	-	-	4,970
Reissuance of treasury shares for Employee Stock Purchase Plan	-	-	156
Balance, end of year	<u>\$ (150,184)</u>	<u>\$ (51,771)</u>	<u>\$ (9,952)</u>
TOTAL STOCKHOLDERS' EQUITY	\$ 598,365	\$ 575,212	\$ 517,154

See notes to consolidated financial statements.

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

	YEAR ENDED JUNE 30,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 104,681	\$ 89,923	\$ 75,501
Adjustments to reconcile net income from operations to cash from operating activities:			
Depreciation	36,427	33,442	29,795
Amortization	14,527	10,332	9,116
Deferred income taxes	4,239	8,291	5,275
Expense for stock-based compensation	1,003	454	-
Loss on property and equipment	167	269	1,058
Other, net	(15)	-	-
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	(28,853)	30,413	(35,017)
Prepaid expenses, prepaid cost of product, and other	(2,987)	(18,624)	(7,015)
Accounts payable	(3,050)	(1,636)	5,160
Accrued expenses	5,667	3,450	3,303
Income taxes	17,865	2,563	4,190
Deferred revenues	24,576	10,561	16,909
Net cash from operating activities	<u>174,247</u>	<u>169,438</u>	<u>108,275</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			

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Payment for acquisitions, net of cash acquired	(39,307)	(20,745)	(119,501)
Capital expenditures	(34,202)	(45,396)	(58,046)
Purchase of investments	(3,603)	(4,519)	(4,976)
Proceeds from sale of property and equipment	25	4,255	170
Proceeds from investments	4,810	5,037	5,000
Computer software developed	(20,743)	(16,079)	(7,846)
Other, net	109	257	137
Net cash from investing activities	(92,911)	(77,190)	(185,062)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock upon exercise of stock options	28,580	19,928	14,264
Proceeds from sale of common stock, net	632	694	781
Note payable, net	19,388	5,120	45,000
Excess tax benefits from stock-based compensation	4,640	4,743	-
Purchase of treasury stock	(98,413)	(41,819)	(9,952)
Dividends paid	(21,685)	(18,383)	(15,456)
Net cash from financing activities	(66,858)	(29,717)	34,637
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 14,478	\$ 62,531	\$ (42,150)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 74,139	\$ 11,608	\$ 53,758
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 88,617	\$ 74,139	\$ 11,608

See notes to consolidated financial statements.

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

(In Thousands, Except Per Share Amounts)

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

DESCRIPTION OF THE COMPANY

Jack Henry & Associates, Inc. and Subsidiaries ("JHA" or the "Company") is a leading 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 with computer equipment ("hardware"), by providing the conversion and software implementation services for financial institutions to utilize JHA software systems, and by providing other related services. JHA 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 significant intercompany accounts and transactions have been eliminated.

STOCK-BASED COMPENSATION

Effective July 1, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (R), *"Share-Based Payment"*, ("SFAS 123(R)"), a revision of SFAS 123, *"Accounting for Stock-Based Compensation"*, ("SFAS 123"), using the modified prospective application transition method. SFAS 123(R) requires all share-based payments to employees, including grants of stock options, to be recognized in the consolidated statements of income. The Company will continue to use the Black-Scholes option pricing model used under SFAS 123 for the purposes of determining compensation expense related to options granted. The adoption of SFAS 123(R) did not have a significant impact on our financial position or our results of operations. Prior to the adoption of SFAS 123(R), benefits of tax deductions in excess of recognized compensation costs were reported as operating cash flows. SFAS 123(R) requires excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. The Company has calculated its additional paid in capital pool ("APIC pool") based on the actual income tax benefits received from exercises of stock options granted after the effective date of SFAS 123 using the long method. The APIC pool is available to absorb any tax deficiencies subsequent to the adoption of SFAS 123(R). At June 30, 2007, the APIC pool was \$35,570.

Prior to July 1, 2005, in accordance with Accounting Principles Board Opinion No. 25, *"Accounting for Stock Issued to Employees"* ("APB 25"), no compensation expense was recorded for stock options. The Company provides below the pro forma net income disclosures required by SFAS No. 123.

		Year Ended June 30, 2005
Net income, as reported		\$ 75,501
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects		1,614
Pro forma net income		\$ 73,887
Diluted net income per share	As reported	\$ 0.81
	Pro forma	\$ 0.79
Basic net income per share	As reported	\$ 0.83
	Pro forma	\$ 0.81

If the Company had adopted SFAS 123(R) for fiscal year 2005, net cash from financing activities would have been increased by \$4,084 for the year ended June 30, 2005 and net cash from operating activities would have decreased by \$4,084 for the same period.

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On June 29, 2005, the Board of Directors approved the immediate vesting of all stock options previously granted under the 1996 Stock Option Plan ("1996 SOP") that had exercise prices higher than the market price on such date. As a result of this action, the vesting of 201,925 options was accelerated by an average of 15 months. No other changes to these options were made. The weighted average exercise price of these accelerated options was \$21.15, and exercise prices of the affected options range from \$18.64 to \$25.00. The accelerated options constituted only 2.1% of the company's outstanding options, at the date of the acceleration. No options held by any directors or executive officers of the Company were accelerated or affected in any manner by this action.

The purpose of accelerating vesting of the options was to enable to Company to reduce the impact of recognizing future compensation expense associated with these options upon adoption of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123(R)"). The aggregate pre-tax expense for the shares subject to acceleration that, absent the acceleration of vesting, would have been reflected in the Company's consolidated financial statements beginning in fiscal 2006 was estimated to be a total of approximately \$802 (approximately \$510 in fiscal 2006, approximately \$185 in fiscal 2007, approximately \$89 in fiscal 2008 and approximately \$18 in fiscal 2009). These estimates are not adjusted for any actual or estimated future forfeitures.

The weighted-average fair value of options granted during fiscal 2007, fiscal 2006 and fiscal 2005 was \$10.43, \$10.13, and \$6.97, respectively. The only options granted during fiscal 2007 and fiscal 2006 were to non-employee members of the Company's board of directors. The assumptions used in estimating fair value and resulting compensation expenses are as follows:

	Year Ended June 30,
	2007
	2006
	2005

Weighted Average Assumptions:

Expected life (years)

7.41

7.65

3.53

Volatility

37%

42%

48%

Risk free interest rate

4.7%

4.4%

3.1%

Dividend yield

0.96%

0.89%

0.88%

The option pricing model assumptions such as expected life, volatility, risk-free interest rate, and dividend yield impact the fair value estimate. These assumptions are subjective and generally require significant analysis and judgment to develop. When estimating fair value, some of the assumptions were based on or determined from external data (for example, the risk-free interest rate) and other assumptions were derived from our historical experience with share-based payment arrangements (e.g., volatility, expected life and dividend yield). The appropriate weight to place on historical experience is a matter of judgment, based on relevant facts and circumstances.

Our pre-tax operating income for the years ended June 30, 2007 and 2006 includes \$1,003 and \$454 of stock-based compensation costs, respectively.

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. Statement of Position ("SOP") 97-2, *Software Revenue Recognition*, as amended, generally requires 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 allowed by SOP 98-9, "Software Revenue Recognition, with Respect to Certain Transactions". 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, 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. For these transactions, the Company follows the guidance provided in Emerging Issues Task Force Issue ("EITF") No. 99-19, *"Reporting Revenue Gross as a Principal versus Net as an Agent."* Based upon the indicators provided within this consensus, the Company records the revenue related to our drop-ship transactions at gross and the related costs are included in cost of hardware. The Company also remarkets maintenance contracts on hardware to our customers. Hardware maintenance revenue is recognized ratably over the agreement period.

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. The Company's amortization policy for these capitalized costs is to amortize the costs in accordance with SFAS No. 86, *"Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed"*. Generally, 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.

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.

INVESTMENTS

The Company invests its cash that is not required for current operations primarily in U.S. government securities, money market accounts and certificates of deposit. The Company has the positive intent and ability to hold its debt securities until maturity and accordingly, these securities are classified as held-to-maturity and are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the level-yield method over the period to maturity. The held-to-maturity securities typically mature in less than one year. Interest on investments in debt securities is included in income when earned.

The amortized cost of held-to-maturity securities is \$989 and \$2,181 at June 30, 2007 and 2006, respectively. Fair values of these securities did not differ significantly from amortized cost due to the nature of the securities and minor interest rate fluctuations during the periods.

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment is stated at cost and depreciated principally 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 goodwill and trade names, over an estimated economic benefit period, generally five to twenty years, using the straight-line method.

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 trade names for impairment of value on an annual basis 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, 2007, 2006 and 2005 equals the Company's net income.

BUSINESS SEGMENT INFORMATION

In accordance with SFAS No. 131, *"Disclosure About Segments of an Enterprise and Related Information"*, the Company's operations are classified as two business segments: bank systems and services and credit union systems and services (see Note 13). Revenue by type of product and service is presented on the face of the consolidated statements of income. Substantially all the Company's revenues are derived from operations and assets located within the United States of America.

COMMON STOCK

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves of short-term borrowings on its existing credit facility. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At June 30, 2006, there were 2,766 shares in treasury stock and the Company had the remaining authority to repurchase up to 2,225 shares. On August 25, 2006, the Company's Board of Directors approved a 5,000 share increase to the stock repurchase authorization. During fiscal 2007, the Company repurchased 4,335 treasury shares for \$98,413. The total cost of treasury shares at June 30, 2007 is \$150,184. At June 30, 2007, there were 7,101 shares in treasury stock and the Company had the authority to repurchase up to 2,890 additional shares.

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.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement on Financial Accounting Standards ("SFAS") No. 154, *"Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3"* ("SFAS 154"). SFAS 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented using the accounting principle. SFAS 154 is effective for accounting changes and corrections of errors in fiscal years beginning after December 15, 2005. The Company adopted SFAS 154 effective July 1, 2006. Since there have been no material accounting changes or errors since that time, the adoption did not have a material impact on the Company's results of operations or financial condition.

In June 2006, the FASB issued FASB Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109"* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides related guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. FIN 48 is effective for the Company beginning July 1, 2007. The Company is currently evaluating the impact of this pronouncement.

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 108, *"Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements"* ("SAB 108"). SAB 108 provides guidance on how prior year misstatements should be considered when quantifying misstatements in current year financial statements for purposes of assessing materiality. SAB 108 requires that a registrant assess the materiality of a current period misstatement by determining how the current period's balance sheet would be affected in correcting a misstatement without considering the year(s) in which the misstatement originated and how the current period's income statement is misstated, including the reversing effect of prior year misstatements. SAB 108 was effective for the Company on June 30, 2007. The cumulative effect of

applying SAB 108 may be recorded by adjusting current year beginning balances of the affected assets and liabilities with a corresponding adjustment to the current year opening balance in retained earnings if certain criteria are met. The adoption of this bulletin did not have a material impact on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and requires enhanced disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. SFAS 157 is effective for the Company beginning July 1, 2007. The Company is currently evaluating the impact of this pronouncement.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including and amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure its financial assets and liabilities. If the use of fair value is elected, any upfront costs and fees related to the item must be recognized in earnings and cannot be deferred. The fair value election is irrevocable and generally made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to measure based on fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to retained earnings. Subsequent to the adoption of SFAS 159, changes in fair value are recognized in earnings. SFAS 159 is effective for the Company beginning July 1, 2008. The Company is currently determining whether fair value accounting is appropriate for any of its eligible items and cannot estimate the impact, if any, which SFAS 159 will have on its financial statements.

NOTE 2: FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values for held-to-maturity securities are based on quoted market prices. For all other financial instruments, including amounts receivable or payable and short-term and long-term borrowings, fair values approximate carrying value, based on the short-term nature of the assets and liabilities and the variability of the interest rates on the borrowings.

NOTE 3: PROPERTY AND EQUIPMENT

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

	June 30,		
	2007	2006	Estimated Useful Life
Land	\$ 24,421	\$ 18,174	
Land improvements	19,809	18,163	5-20 years
Buildings	96,722	90,916	25-30 years
Leasehold improvements	20,838	18,985	5-10 years ⁽¹⁾
Equipment and furniture	155,455	150,665	5-8 years
Aircraft and equipment	42,152	41,499	8-10 years
Construction in progress	7,497	12,637	
	366,894	351,039	
Less accumulated depreciation	117,012	99,407	
Property and equipment, net	\$ 249,882	\$ 251,632	

(1)

Lesser of lease term or estimated useful life

At June 30, 2007, the Company had no material commitments to purchase property and equipment. At June 30, 2006, the Company had commitments of approximately \$3,400 to purchase property and equipment.

NOTE 4: OTHER ASSETS

Changes in the carrying amount of goodwill for the years ended June 30, 2007 and 2006, by reportable segments, are:

	Banking Systems and Services	Credit Union Systems and Services	Total
Balance, as of July 1, 2005	\$ 166,617	\$ 24,798	\$ 191,415
Goodwill acquired during the year	21,123	-	21,123
Balance, as of June 30, 2006	187,740	24,798	212,538
Goodwill acquired during the year	36,325	-	36,325
Balance, as of June 30, 2007	\$ 224,065	\$ 24,798	\$ 248,863

The Banking Systems and Services segment additions for fiscal 2007 relate primarily to the acquisition of Margin Maximizer, Inc. The additions for fiscal 2006 relate to the acquisition of Profitstar, Inc., with additional amounts relating to earn-out payments made on earlier acquisitions. See Note 12-Business Acquisitions for further details.

Information regarding other identifiable intangible assets is as follows:

	June 30,					
	2007			2006		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 115,369	\$ (54,121)	\$ 61,248	\$ 110,664	\$ (47,502)	\$ 63,162
Trade names	4,009	-	4,009	4,009	-	4,009
Totals	\$ 119,378	\$ (54,121)	\$ 65,257	\$ 114,673	\$ (47,502)	\$ 67,171

Trade names have been determined to have indefinite lives and are not amortized. Customer relationships have lives ranging from five to 20 years.

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Computer software includes the unamortized cost of software products developed or acquired by the Company, which are capitalized and amortized over useful lives ranging from five to ten years.

Following is an analysis of the computer software capitalized:

	Carrying Amount	Accumulated Amortization	Total
Balance, July 1, 2005	\$ 37,386	\$ (7,898)	\$ 29,488
Acquired software	1,872	-	1,872
Disposals	(1,228)	1,228	-
Capitalized development cost	16,079	-	16,079
Amortization expense	-	(3,599)	(3,599)
Balance, June 30, 2006	54,109	(10,269)	43,840
Acquired software	2,515	-	2,515
Capitalized development cost	20,743	-	20,743
Amortization expense	-	(7,908)	(7,908)
Balance, June 30, 2007	\$ 77,367	\$ (18,177)	\$ 59,190

Amortization expense for all intangible assets was \$14,527, \$10,332 and \$9,116 for the fiscal years ended June 30, 2007, 2006, and 2005, respectively. The estimated aggregate future amortization expense for each of the next five years for all intangible assets remaining as of June 30, 2007, is as follows:

Year	Customer Relationships	Software	Total
2008	6,882	11,189	18,071
2009	6,795	10,729	17,524
2010	6,663	9,627	16,290
2011	6,100	8,907	15,007
2012	5,073	4,720	9,793

NOTE 5: DEBT

The Company obtained a bank credit line on April 28, 2006 which provides for funding of up to \$5,000 and bears interest at the prime rate less 1% (7.25% at June 30, 2007). The credit line matures on April 30, 2008. At June 30, 2007, no amount was outstanding.

The Company renewed a credit line on March 7, 2007 which provides for funding of up to \$8,000 and bears interest at the prime rate (8.25%

at June 30, 2007). The credit line expires March 7, 2008 and is secured by \$1,000 of investments. There were no outstanding amounts at June 30, 2007.

An unsecured revolving bank credit facility allows short-term borrowing of up to \$150,000, which may be increased by the Company at any time until maturity to \$225,000. The unsecured revolving bank credit facility bears interest at a rate equal to (a) LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus ½% or (b) the Prime Rate), plus an applicable percentage in each case determined by the Company's leverage ratio. The unsecured

revolving credit line terminates May 31, 2012. At June 30, 2007, the outstanding revolving bank credit facility balance was \$70,000. This outstanding balance bears at a weighted average rate of 5.94%

The Company has entered into various capital lease obligations for the use of certain computer equipment totaling \$599 and \$569 for the years ended June 30, 2007 and 2006, respectively. Those amounts are included in property and equipment and the related depreciation is included in total depreciation expense. At June 30, 2007, \$631 was outstanding, of which \$503 was included in current maturities. Maturities of capital lease payments by fiscal year are \$503 in fiscal 2008, \$96 in fiscal 2009 and \$32 in fiscal 2010.

The Company paid interest of \$1,975, \$1,439, and \$171 in 2007, 2006, and 2005 respectively. During fiscal 2007, the Company incurred a total of \$2,156 of interest, \$399 of which was capitalized.

NOTE 6: LEASE COMMITMENTS

The Company leases certain property under operating leases which expire over the next 15 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, but most real estate leases have one or more renewal options. Certain leases on real estate are subject to annual escalations for increases in operating expenses and property taxes.

As of June 30, 2007, net future minimum lease payments are as follows:

Years Ending June 30,	Lease Payments
2008	5,528
2009	5,517
2010	3,999
2011	2,487
2012	1,327
Thereafter	2,591
Total	\$ 21,449

Rent expense was \$5,797, \$5,372, and \$4,169 in 2007, 2006, and 2005, respectively.

NOTE 7: INCOME TAXES

The provision for income taxes consists of the following:

Year ended June 30,
<u>2007</u>
<u>2006</u>
<u>2005</u>

Current:

Federal

		\$ 45,892
		\$ 38,385
		\$ 35,221
State		
		5,391
		3,469
		3,846
Deferred:		
Federal		
		4,080
		7,831
		4,982
State		
		159
		460
		293
		\$ 55,522
		\$ 50,145
		\$ 44,342

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

	June 30,	
	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
Carryforwards (operating losses)	\$ -	\$ 601
Expense reserves (bad debts, insurance, franchise tax and vacation)	2,688	2,531

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Intangible assets	-	1,070
Other, net	1,087	802
	<u>3,775</u>	<u>5,004</u>
Deferred tax liabilities:		
Accelerated tax depreciation	(23,597)	(25,856)
Accelerated tax amortization	(30,208)	(23,412)
	<u>(53,805)</u>	<u>(49,268)</u>
Net deferred tax liability	\$(50,030)	\$(44,264)

The deferred taxes are classified on the balance sheets as follows:

	June 30,	
	<u>2007</u>	<u>2006</u>
Deferred income taxes (current)	\$ 3,260	\$ 3,165
Deferred income taxes (long-term)	(53,290)	(47,430)
	<u>\$ (50,030)</u>	<u>\$ (44,265)</u>

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

	Year Ended June 30,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Computed "expected" tax expense (benefit)	35.0%	35.0%	35.0%
Increase (reduction) in taxes resulting from:			
State income taxes,			
net of federal income tax benefits	2.3%	2.0%	2.2%
Research and development credit	-2.7%	-1.0%	-1.5%
Permanent book/tax differences	0.0%	-0.5%	0.5%
Other (net)	0.1%	0.3%	0.7%
	<u>34.7%</u>	<u>35.8%</u>	<u>37.0%</u>

The decrease in the effective income tax rate for fiscal 2007 is primarily due to the renewal of the Research and Experimentation Credit retroactive to January 1, 2006, which required the recording of an additional six months of credit during fiscal year 2007 related to fiscal year 2006. This created a significant tax benefit (approximately \$3,000 additional benefit over the prior year) for fiscal 2007.

Net operating loss carryforwards of \$1,623 (from acquisitions) expire through the year 2024. All of this amount is

available for use in the Company's June 30, 2007 federal income tax returns. The Company paid income taxes of \$28,887, \$34,301, and \$34,891 in 2007, 2006, and 2005, respectively.

The Company's federal income tax returns for the years ended June 30, 2006 and 2005 are currently under examination by the Internal Revenue Service ("IRS").

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 net 30 days from date of billing. Reserves (which are insignificant at June 30, 2007 and 2006) 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 significant negative impact on the future operations of the Company.

NOTE 9: STOCK OPTION PLANS

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

1996 SOP

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. In October 2002, the stockholders approved an increase in the number of stock options available from 13.0 million to 18.0 million shares. The plan terminated by its terms on October 29, 2006, although options previously granted under the 1996 SOP are still outstanding.

On June 29, 2005, the Board of Directors approved the immediate vesting of all stock options previously granted under the 1996 SOP that had exercised prices higher than the market price on such date (See Note 1).

2005 NSOP

The NSOP was adopted by the Company on September 23, 2005, for its outside directors. Generally, options are exercisable beginning six 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 four continuous years, 25% of all options will vest after one year of service, 50% shall vest after two years, and 75% shall vest after three years of service on the Board. The options terminate upon surrender of the option, upon the expiration of one year following notification of a deceased optionee, or 10 years after grant. 700 shares of common stock have been reserved for issuance under this plan with a maximum of 100 for each director. As of June 30, 2007, there were 630 shares available for future grants under the plan.

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

	Number of	Weighted Average	Aggregate
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	Shares	Exercise Price	Intrinsic Value
Outstanding June 30, 2004	11,384	\$ 13.64	
Granted	224	18.56	
Forfeited	(155)	19.70	
Exercised	(1,687)	8.43	
Outstanding June 30, 2005	9,766	14.55	
Granted	40	18.47	
Forfeited	(236)	21.23	
Exercised	(1,870)	10.58	
Outstanding June 30, 2006	7,700	15.34	
Granted	30	21.79	
Forfeited	(123)	21.22	
Exercised	(2,218)	12.90	
Outstanding June 30, 2007	5,389	\$ 16.24	\$ 51,951
Vested and Expected to Vest June 30, 2007	5,389	\$ 16.24	\$ 51,951
Exercisable June 30, 2007	5,327	\$ 16.21	\$ 51,518

As of June 30, 2007, there was \$216 of total unrecognized compensation costs related to stock options that have not yet vested. These costs are expected to be recognized over a weighted average period of 0.77 years.

For the year ended June 30, 2005, 306 shares and 10 shares were reissued from treasury stock for shares exercised in the employee stock option plan and the employee stock purchase plan (See Note 11), respectively.

Following is an analysis of stock options outstanding and exercisable as of June 30, 2007:

Range of Exercise Prices	Shares		Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	
	Outstanding	Exercisable	Outstanding	Outstanding	Exercisable
\$ 6.03 - \$10.13	542	542	1.62	\$ 8.72	\$ 8.72
\$10.14 - \$10.75	200	200	1.18	10.75	10.75
\$10.76 - \$10.84	1,049	1,049	5.77	10.84	10.84
\$10.85 - \$16.49	130	130	3.71	12.45	12.45
\$16.50 - \$16.88	1,931	1,931	2.76	16.88	16.88
\$16.89 - \$21.25	692	642	4.94	19.84	19.98
\$21.26 - \$27.15	710	698	4.46	24.66	24.71
\$27.16 - \$29.63	129	129	3.57	28.45	28.45
\$29.64 - \$30.00	3	3	3.93	30.00	30.00

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\$30.01 - \$31.00	<u>3</u>	<u>3</u>	<u>4.00</u>	<u>31.00</u>	<u>31.00</u>
\$ 6.03 - \$31.00	5,389	5,327	3.72	\$ 16.24	\$ 16.21

Cash received from stock option exercises for the year ended June 30, 2007 was \$28,580. The income tax benefits from stock option exercises totaled \$8,355 for the year ended June 30, 2007.

The total intrinsic value of options exercised was \$22,643 and \$19,622 for the fiscal years ended June 30, 2007 and 2006, 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. As of June 30, 2007, no restricted stock has been issued.

NOTE 10: EARNINGS PER SHARE

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

Year Ended June 30,									
2007			2006			2005			
Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount	
Basic Income Per Share:									
Net income available to common stockholders	\$ 104,681	90,155	\$ 1.16	\$ 89,923	91,484	\$ 0.98	\$ 75,501	90,891	\$ 0.83
Effect of dilutive securities:									
Stock options	-	1,877	(0.02)	-	2,303	(0.02)	-	2,107	(0.02)
Diluted Income Per Share:									
Net income available to common stockholders	\$ 104,681	92,032	\$ 1.14	\$ 89,923	93,787	\$ 0.96	\$ 75,501	92,998	\$ 0.81

Stock options to purchase approximately 772 shares for fiscal 2007, 1,505 shares for fiscal 2006, and 1,792 shares for fiscal 2005, were not dilutive and therefore, were not included in the computations of diluted income per common share amounts.

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 5% discount. Beginning January 1, 2007, purchase prices for all participants are based on 95% of the closing bid price on or before the 15th day of the month.

The Company has a defined contribution plans 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. 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 \$7,148, \$6,530, and \$5,212 for fiscal 2007, 2006, and 2005, respectively.

The Company also had an Employee Stock Ownership Plan (the "ESOP" Plan), which it terminated as of January 1, 2005. No contribution had been made to the ESOP Plan for any of the three most recent fiscal years.

NOTE 12: BUSINESS ACQUISITIONS

Fiscal 2007 Acquisition:

On November 1, 2006, the Company acquired all of the capital stock of Margin Maximizer Group, Inc., which does business as US Banking Alliance ("USBA"). USBA is a leading provider of loan and deposit pricing software and related consulting services to banks and credit unions. The purchase price for USBA, \$34,006 paid in cash, was preliminarily allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$(2,147) to working capital, \$69 to property and equipment, \$2,515 to capitalized software, \$4,705 to customer relationships, and \$28,864 to goodwill. The capitalized software and customer relationships have weighted-average useful lives of approximately 5 years. The acquired goodwill has been allocated to the bank systems and services segment. The Company and the former shareholders of Margin Maximizer Group, Inc. jointly made a Section 338(h)(10) election for this acquisition. This election allows treatment of this acquisition as an asset acquisition, which permits the Company to amortize the capitalized software, customer relationships and goodwill for tax purposes. The results of USBA's operations have been included with the Company's from the date of acquisition, November 1, 2006, to the end of the period. The pro forma impact on net income and earnings per share have not been disclosed for the current or comparable prior periods, as the amounts were immaterial to the financial statements taken as a whole.

Fiscal 2006 Acquisition:

On November 1, 2005, the Company acquired all of the capital stock of Profitstar, Inc. ("Profitstar"). Profitstar is a leading provider of asset/liability management, risk management, profitability accounting and financial planning software and related services to banks, credit unions and other financial institutions. The purchase price for Profitstar, \$19,317 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of (\$599) to working capital, \$1,233 to deferred tax liability, \$1,871 to capitalized software, \$1,420 to customer relationships, and \$19,698 to goodwill. The acquired goodwill has been allocated to the bank segment. On August 15, 2006, the Company and the former shareholders of Profitstar, Inc. jointly made a IRC Section 338(h)(10) election for this acquisition. This election allows treatment of this acquisition as an asset acquisition, which permits the Company to amortize the capitalized software, customer relationships and

goodwill for tax purposes. This election increased goodwill by a net of \$720 due to the elimination of previously recorded deferred tax liabilities and to additional consideration paid to the former shareholders of Profitstar, Inc.

Fiscal 2005 Acquisitions:

On March 2, 2005, the Company acquired all of the membership interests in Tangent Analytics, LLC, ("Tangent"), a developer of business intelligence software systems. The purchase price for Tangent before any earn-out payments, \$4,000 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of (\$140) to working capital, \$89 to deferred tax liability, \$241 to capitalized software and \$4,128 to goodwill. Contingent purchase consideration may be due based upon Tangent's earnings before interest, depreciation, taxes and amortization. In fiscal 2007 and 2006, \$3,125 and \$958, respectively, was paid to the former members of Tangent as part of this contingent consideration. These amounts were included in goodwill. The acquired goodwill has been allocated to the bank segment and is deductible for federal income tax. Remaining purchase consideration of \$917 was paid after June 30, 2007 based upon Tangent's earnings before interest, depreciation, amortization and taxes in full settlement of the purchase agreement.

Effective January 1, 2005, the Company acquired all of the membership interests in RPM Intelligence, LLC, doing business as Stratika ("Stratika"). Stratika provides customer and product profitability solutions for financial institutions. The purchase price for Stratika before any earn-out payments, \$6,241 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$9 to working capital, \$156 to deferred tax liability, \$422 to capitalized software and \$5,963 to goodwill. Contingent purchase consideration of up to \$9,752 may be paid over the next year based upon the net operating income of Stratika. In fiscal 2006, \$248 was paid to the former members of Stratika as part of this contingent consideration. This amount was included in goodwill. No amount was paid as part of this contingent consideration during fiscal 2007. The acquired goodwill has been allocated to the bank segment and is deductible for federal income tax.

On December 17, 2004, the Company acquired certain assets of SERSynergy™ ("Synergy"), a division of SER Solutions, Inc. Synergy is a market leader for intelligent document management for financial institutions. The purchase price for Synergy, \$34,466 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of (\$3,216) to working capital, \$248 to deferred tax liability, \$2,541 to capitalized software, \$6,145 to customer relationships, and \$29,243 to goodwill. The acquired goodwill has been allocated to the bank segment and is deductible for federal income tax.

Effective December 1, 2004, the Company acquired the capital stock of TWS Systems, Inc. and three affiliated corporations (collectively "TWS"). TWS is a leading provider of image-based item processing solutions for credit unions. The purchase price for TWS, \$10,885 paid in cash, was allocated to the assets and liabilities acquired, based on then estimated fair values at the acquisition date, resulting in an allocation of (\$157) to working capital, 1,759 to deferred tax liability, \$2,110 to capitalized software, \$2,645 to customer relationships, and \$7,569 to goodwill. The acquired goodwill has been allocated to the credit union segment and is non-deductible for federal income tax.

On November 23, 2004, the Company acquired the capital stock of Optinfo, Inc. ("Optinfo"). Optinfo is a leading provider of enterprise exception management software and services. The purchase price for Optinfo, \$12,927 paid in cash and \$2,240 of vested options to acquire common stock, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$705 to working capital, \$1,346 to deferred tax asset, \$156 to deferred tax liability, \$421 to capitalized software, and \$12,806 to goodwill. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax.

Effective October 1, 2004, the Company acquired the capital stock of Verinex Technologies, Inc. ("Verinex"). Verinex is a leading developer and integrator of biometric security solutions. The purchase price for Verinex, \$35,000 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$574 to working capital, \$1,729 to deferred tax liability, \$464 to capitalized

software, \$4,208 to customer relationships, and \$31,457 to goodwill. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax.

Effective October 1, 2004, the Company acquired Select Payment Processing, Inc. ("SPP") by merger. SPP is a provider of an innovative electronic payment processing solution for financial institutions. The purchase price for SPP, \$12,000 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$7 to working capital, \$938 to deferred tax asset, \$1,729 to deferred tax liability, \$467 to capitalized software and \$10,570 to goodwill. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax.

On September 1, 2004, the Company acquired Banc Insurance Services, Inc. ("BIS") in Massachusetts. BIS is a provider of turnkey outsourced insurance agency solutions for financial institutions. The purchase price for BIS before any earn-out payments, \$6,700 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$56 to working capital and \$6,549 to goodwill. Contingent purchase consideration may be paid over the next three years based upon BIS gross revenues which could result in additional allocations to goodwill of up to \$12,931. In fiscal 2007 and 2006, \$250 and \$219, respectively, was paid to the former owners of BIS as part of this agreement. These amounts were included in goodwill. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax.

The accompanying consolidated statements of income for the fiscal year ended June 30, 2006 and 2005 do not include any revenues and expenses related to these acquisitions prior to the respective closing dates of each acquisition. The following unaudited pro forma consolidated financial information is presented as if these acquisitions had occurred at the beginning of the periods presented. In addition, this unaudited pro forma financial information is provided for illustrative purposes only and should not be relied upon as necessarily being indicative of the historical results that would have been obtained if these acquisitions had actually occurred during those periods, or the results that may be obtained in the future as a result of these acquisitions.

Pro Forma (unaudited)	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
Revenue	\$596,305	\$563,746
Gross profit	<u>259,338</u>	<u>237,458</u>
Net Income	\$ 90,398	\$ 79,495
Earnings per share - diluted	\$ 0.96	\$ 0.85
Diluted shares	93,787	92,998
Earnings per share - basic	\$ 0.99	\$ 0.87
Basic shares	91,484	90,891

NOTE 13: BUSINESS SEGMENT INFORMATION

The Company is a leading provider of integrated computer systems that perform data processing (available for in-house or service bureau installations) for banks and credit unions. The Company's operations are classified into two business 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,

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including prospects for growth, return on investment, and return on revenue.

For the Year Ended June 30, 2007

	<u>Bank</u>	<u>Credit Union</u>	<u>Total</u>
REVENUE			
License	\$ 60,683	\$ 15,720	\$ 76,403
Support and service	427,507	75,810	503,317
Hardware	69,266	19,076	88,342
Total	557,456	110,606	668,062
COST OF SALES			
Cost of license	4,103	174	4,277
Cost of support and service	257,962	54,176	312,138
Cost of hardware	51,227	14,242	65,469
Total	313,292	68,592	381,884
GROSS PROFIT	\$ 244,164	\$ 42,014	\$ 286,178

For the Year Ended June 30, 2006

	<u>Bank</u>	<u>Credit Union</u>	<u>Total</u>
REVENUE			
License	\$ 66,165	\$ 17,849	\$ 84,014
Support and service	354,210	71,451	425,661
Hardware	62,511	20,019	82,530
Total	482,886	109,319	592,205
COST OF SALES			
Cost of license	1,671	1,046	2,717
Cost of support and service	221,300	51,083	272,383
Cost of hardware	45,098	15,560	60,658
Total	268,069	67,689	335,758
GROSS PROFIT	\$ 214,817	\$ 41,630	\$ 256,447

For the Year Ended June 30, 2005

<u>Bank</u>	<u>Credit Union</u>	<u>Total</u>
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REVENUE

License	\$ 53,563	\$ 28,811	\$ 82,374
Support and service	305,696	58,380	364,076
Hardware	69,436	19,977	89,413
Total	428,695	107,168	535,863

COST OF SALES

Cost of license	2,402	3,145	5,547
Cost of support and service	196,140	47,957	244,097
Cost of hardware	48,361	15,408	63,769
Total	246,903	66,510	313,413

GROSS PROFIT	\$ 181,792	\$ 40,658	\$ 222,450
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For the Year Ended June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Depreciation expense, net			
Bank systems and services	\$ 34,219	\$ 30,818	\$ 27,248
Credit Unions systems and services	2,208	2,624	2,547
Total	\$ 36,427	\$ 33,442	\$ 29,795

Amortization expense, net			
Bank systems and services	\$ 12,070	\$ 8,421	\$ 7,356
Credit Unions systems and services	2,457	1,911	1,760
Total	\$ 14,527	\$ 10,332	\$ 9,116

Capital expenditures, net			
Bank systems and services	\$ 33,510	\$ 43,681	\$ 49,360
Credit Unions systems and services	692	1,715	8,686
Total	\$ 34,202	\$ 45,396	\$ 58,046

For the Year Ended June 30,

	<u>2007</u>	<u>2006</u>
Property and equipment, net		
Bank systems and services	\$ 217,195	\$ 217,438
Credit Unions systems and services	32,687	34,194

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Total	\$ 249,882	\$ 251,632
Identified intangible assets, net		
Bank systems and services	\$ 321,096	\$ 271,259
Credit Unions systems and services	52,214	52,290
Total	\$ 373,310	\$ 323,549

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

NOTE 14: SUBSEQUENT EVENTS

On July 10, 2007, the Company announced that it completed its acquisition of all of the capital stock of Gladiator Technology Services, Inc., an Atlanta, Georgia-based provider of technology security services for financial institutions for \$17,632 paid in cash.

On August 27, 2007, the Company's Board of Directors declared a quarterly cash dividend of \$.065 per share of common stock, payable on September 21, 2007 to shareholders of record on September 7, 2007.

QUARTERLY FINANCIAL INFORMATION (unaudited)

For the Year Ended June 30, 2007

Quarter 1
Quarter 2
Quarter 3
Quarter 4
Total

REVENUE

License

\$ 15,539

\$ 21,173

	\$ 15,345
	\$ 24,346
	\$ 76,403
Support and service	
	115,577
	124,235
	130,282
	133,223
	503,317
Hardware	
	19,499
	21,836
	23,276
	23,731
	88,342
Total	
	150,615
	167,244
	168,903
	181,300
	668,062

COST OF SALES

Cost of license

556

778

863

2,080

4,277

Cost of support and service

73,050

77,501

78,932

82,655

312,138

Cost of hardware

13,702

15,977

17,424

18,366

65,469

Total

87,308

94,256

97,219

	103,101
	381,884
GROSS PROFIT	
	63,307
	72,988
	71,684
	78,199
	286,178
OPERATING EXPENSES	
Selling and marketing	
	11,966
	12,973
	12,527
	13,579
	51,045
Research and development	
	8,516
	8,989
	9,004
	9,453
	35,962
General and administrative	
	9,906
	85

	11,407
	9,378
	9,926
	40,617
Total	
	30,388
	33,369
	30,909
	32,958
	127,624
OPERATING INCOME	
	32,919
	39,619
	40,775
	45,241
	158,554
INTEREST INCOME (EXPENSE)	
Interest income	
	1,556
	406
	658
	86

	786
	3,406
Interest expense	
	(216)
	(299)
	(439)
	(803)
	(1,757)
Total	
	1,340
	107
	219
	(17)
	1,649
INCOME BEFORE INCOME TAXES	
	34,259
	39,726
	40,994
	45,224
	160,203
PROVISION FOR INCOME TAXES	

	12,847
	11,938
	14,614
	16,123
	55,522
NET INCOME	
	\$ 21,412
	\$ 27,788
	\$ 26,380
	\$ 29,101
	\$ 104,681
Diluted net income per share	
	\$ 0.23
	\$ 0.30
	\$ 0.29
	\$ 0.32
	\$ 1.14
Diluted weighted average shares	
Outstanding	
	92,893
	92,246
	91,753
	91,237

92,032

Basic net income per share

\$ 0.24

\$ 0.31

\$ 0.29

\$ 0.33

\$.16

Basic weighted average shares

Outstanding

91,056

90,211

89,893

89,459

90,155

QUARTERLY FINANCIAL INFORMATION (unaudited)

For the Year Ended June 30, 2006

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
REVENUE					
License	\$ 16,908	\$ 20,836	\$ 20,566	\$ 25,704	\$ 84,014
Support and service	99,401	106,524	106,083	113,653	425,661
Hardware	20,674	20,057	18,846	22,953	82,530
Total	136,983	147,417	145,495	162,310	592,205
COST OF SALES					
Cost of license	851	1,061	222	583	2,717
Cost of support and service	64,237	66,356	67,962	73,828	272,383
Cost of hardware	15,340	14,517	13,629	17,172	60,658
Total	80,428	81,934	81,813	91,583	335,758

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GROSS PROFIT	56,555	65,483	63,682	70,727	256,447
OPERATING EXPENSES					
Selling and marketing	11,440	12,300	12,292	13,975	50,007
Research and development	6,749	8,003	8,435	8,687	31,874
General and administrative	7,805	11,130	8,239	8,035	35,209
Total	<u>25,994</u>	<u>31,433</u>	<u>28,966</u>	<u>30,697</u>	<u>117,090</u>
OPERATING INCOME	30,561	34,050	34,716	40,030	139,357
INTEREST INCOME (EXPENSE)					
Interest income	443	425	731	467	2,066
Interest expense	<u>(175)</u>	<u>(132)</u>	<u>(590)</u>	<u>(458)</u>	<u>(1,355)</u>
Total	<u>268</u>	<u>293</u>	<u>141</u>	<u>9</u>	<u>711</u>
INCOME BEFORE INCOME TAXES	30,829	34,343	34,857	40,039	140,068
PROVISION FOR INCOME TAXES	<u>11,407</u>	<u>12,707</u>	<u>11,397</u>	<u>14,634</u>	<u>50,145</u>
NET INCOME	\$ 9,422	\$ 21,636	\$ 23,460	\$ 25,405	\$ 89,923
Diluted net income per share	\$ 0.21	\$ 0.23	\$ 0.25	\$ 0.27	\$ 0.96
Diluted weighted average shares Outstanding	93,998	93,637	94,390	93,124	93,787
Basic net income per share	\$ 0.21	\$ 0.24	\$ 0.26	\$ 0.28	\$ 0.98
Basic weighted average shares outstanding	91,562	91,352	91,952	91,068	91,484

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 in timely alerting them to material information relating to the Company (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

The Management's Report on Internal Control over Financial Reporting required by this Item 9A is in Item 8, "Financial Statements and Supplementary Data." Our independent registered accounting firm, Deloitte & Touche LLP, audited management's assessment and independently assessed the effectiveness of the Company's internal control over financial reporting. Deloitte & Touche LLP has issued an attestation report concurring with management's assessment, which is included in Item 8 of this Form 10-K.

During the fiscal quarter ending June 30, 2007, 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 accord 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.

PART III

Item 10. Directors and Executive Officers of the Registrant

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

Item 11. Executive Compensation

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

Item 13. Certain Relationships and Related Transactions

See the information under the captions "Election of Directors" and "Certain Relationships and Related Transactions" in the Company's definitive 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 "Independent Registered Public Accounting Firm" in the Company's definitive 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:

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Income for the Years Ended June 30, 2007, 2006 and 2005
- Consolidated Balance Sheets as of June 30, 2007 and 2005
- Consolidated Statements of Changes in Stockholders' Equity for the Years Ended June 30, 2007, 2006 and 2005
- Consolidated Statements of Cash Flows for the Years Ended June 30, 2007, 2006 and 2005
- 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) All exhibits not attached hereto are incorporated by reference to a prior filing as indicated

Index to Exhibits

<u>Exhibit No.</u>	<u>Description</u>
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.
3.2.1	Restated and Amended Bylaws, attached as Exhibit 3.2 to the Company's Current Report on Form 8-K filed November 6, 2006.
10.1	The Company's 1987 Stock Option Plan, as amended as of October 27, 1992, attached as Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 1992.
10.3	The Company's 1995 Non-Qualified Stock Option Plan, attached as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1996.
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.
10.9	The Company's 1996 Stock Option Plan, attached as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1997.
10.20	

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	Credit Agreement with Wachovia Bank, National Association as Administrative Agent, attached as Exhibit 10.20 to the Company's Current Report on Form 8-K filed April 21, 2005.
10.21	Amendment to the Company's 1996 Stock Option Plan, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 5, 2005.
10.22	2006 Executive Bonus Plan, attached as Exhibit 10.22 to the Company's Current Report on Form 8-K filed September 2, 2005.
10.23	2006 General Manager Bonus Plan, attached as Exhibit 10.23 to the Company's Current Report on Form 8-K filed September 2, 2005.
10.24	Form of Termination Benefits Agreement, attached as Exhibit 10.24 to the Company's Current Report on Form 8-K filed September 2, 2005.
10.25	2007 Executive Bonus Plan, attached as Exhibit 10.25 to the Company's Current Report on Form 8-K filed September 5, 2006.
10.26	2007 General Manager Bonus Plan, attached as Exhibit 10.26 to the Company's Current Report on Form 8-K filed September 5, 2006.
10.27	The Company's Restricted Stock Plan, attached as Exhibit 10.27 to the Company's Annual Report on Form 10-K filed September 12, 2006.
10.28	The Company's 2005 Non-Qualified Stock Option Plan, attached as Exhibit 10.28 to the Company's Annual Report on Form 10-K filed September 12, 2006.
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.
10.30	Second Amendment to Credit Agreement with Wachovia Bank, National Association as Administrative Agent, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 31, 2007.
21.1	List of the Company's subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer.
31.2	Certification of 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.

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 29th day of August, 2007.

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:

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Michael E. Henry</u>	Chairman of the Board and Director	August 29, 2007
Michael E. Henry		
<u>/s/ John F. Prim</u>	Chief Executive Officer	August 29, 2007

John F. Prim

/s/ Kevin D. Williams

Chief Financial Officer and Treasurer
(Principal Accounting Officer)

August 29, 2007

Kevin D. Williams

/s/ Jerry D. Hall

Executive Vice President and Director

August 29, 2007

Jerry D. Hall

/s/ James J. Ellis

Director

August 29, 2007

James J. Ellis

/s/ Craig R. Curry

Craig R. Curry

Director

August 29, 2007

/s/ Wesley A. Brown

Wesley A. Brown

Director

August 29, 2007

/s/ Matthew Flanigan

Matthew Flanigan

Director

August 29, 2007

/s/ Marla Shepard

Marla Shepard

Director

August 29, 2007

[Exhibits are omitted, but are available upon request directed to Kevin D. Williams, Chief Financial Officer and Treasurer, at the address set forth on the cover page and are also available in the Form 10-K posted at our investor relations website,

[www.jackhenry.com/ir/.](http://www.jackhenry.com/ir/)