COM MIT MENT

CSI

COMMITMENT

Throughout Fiscal Year 2022, the ongoing pandemic spurred countless changes in the financial services industry, including digital adoption acceleration as well as shifting consumer preferences.

Despite the evolving industry landscape, one factor remains constant—CSI's unwavering commitment to delivering superior technology and expert service that benefits our customers, employees and shareholders. This commitment was demonstrated in many ways over the course of the fiscal year, as we: developed new digital strategies to support financial institutions and their customers, achieved record financial performance despite economic uncertainty, seamlessly adapted to the hybrid world in which we now live and hosted our inaugural TechX event showcasing our innovative solutions.

In addition, David Culbertson became only the third CEO in the company's 57-year history, and firmly stands as a champion of our long-standing culture of innovation and ingenuity. As financial industry leaders, we are dedicated to the pursuit of lasting partnerships and dynamic solutions that keep pace with a rapidly changing world. This commitment serves as the driving force toward our future as we embrace opportunities to broaden our reach with technologies such as the public cloud and open banking, accelerate speed to market and increase scalability of our solutions.

When faced with disruptive challenges, including virus variants and the Great Resignation, we shift our approach where necessary—while never wavering from our strategic vision to deliver forward-thinking technology. Our continued investment in technology will strengthen our position as an industry player while enhancing our growth trajectory and expanding our market reach.

As we look at our many opportunities moving forward, CSI remains resolute in our commitment to empowering our customers with the latest technologies, supporting our employees by encouraging a diverse and inclusive workforce and achieving transformative results for our shareholders.

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Annual Report

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FINANCIAL HIGHLIGHTS

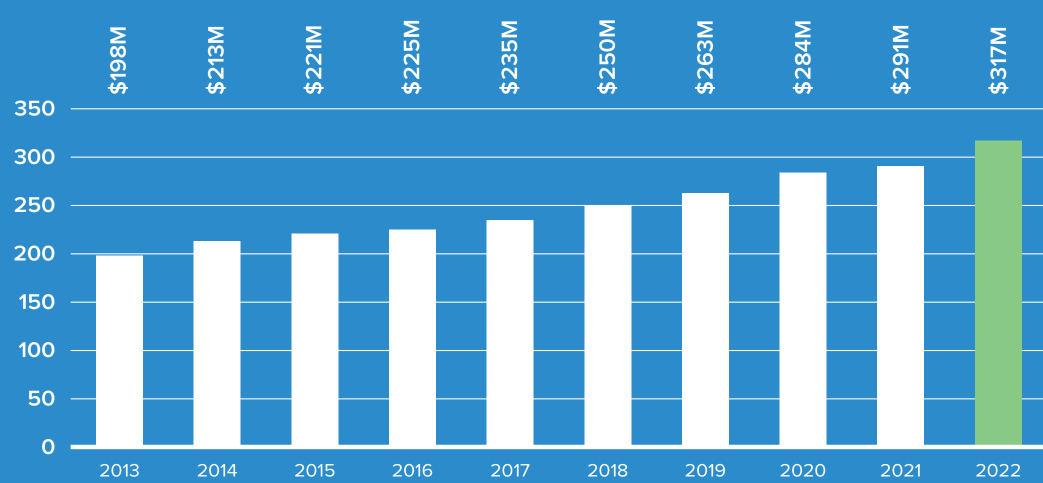
In thousands, except share, per share and employee data

Years Ended February 28 and 29,	2022	2021	2020	% Change 2022	% Change 2021
Revenues	$ 316,648	$ 291,337	$ 284,225	8.7%	2.5%
Net income	$ 61,856	$ 55,404	$ 52,846	11.6%	4.8%
Earnings per common share	$ 2.25	$ 2.01	$ 1.91	11.9%	5.2%
Net cash provided by operating activities	$ 70,084	$ 64,838	$ 60,907	8.1%	6.5%
Capital expenditures, net	$ 16,271	$ 27,959	$ 22,361	(41.8)%	25.0%
Share repurchases and redemptions	$ 9,899	$ 8,623	$ 4,440	14.8%	94.2%
Cash dividends paid on common stock[1]	$ 28,584	$ 53,004	$ 21,600	(46.1)%	145.4%
Per share of common stock[1]	$ 1.04	$ 1.92	$ 0.78	(45.8)%	146.2%
Return on average shareholders' equity	24.0%	22.4%	22.3%		

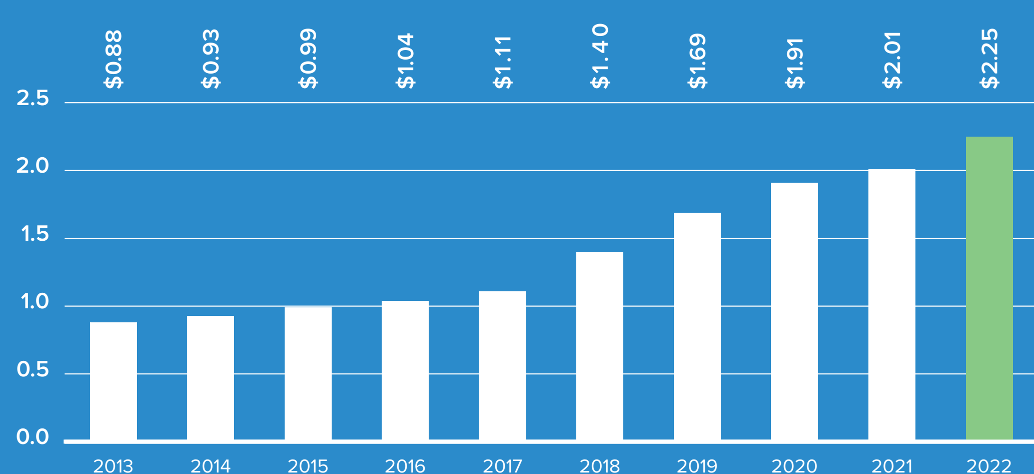
[1] FY2021 includes special cash dividend of $1.00 per share paid on December 30, 2020.

As of February 28 and 29,	2022	2021	2020	% Change 2022	% Change 2021
Total debt	$ –	$ –	$ –	– %	– %
Debt to total capitalization	– %	– %	– %		
Common shares outstanding	27,460,955	27,565,001	27,654,865	(0.4)%	(0.3)%
Stock price per common share	$ 54.53	$ 60.00	$ 52.00	(9.1)%	15.4%
Market capitalization	$ 1,497,446	$ 1,653,900	$ 1,438,053	(9.5)%	15.0%
Employees	1,215	1,268	1,209	(4.2)%	5.0%

Revenue: CAGR* – 5.9%



Earnings Per Share: CAGR* – 10.1%



*Compound Annual Growth Rate

Executive Chairman of the Board Steve Powless, left, and President and CEO David Culbertson

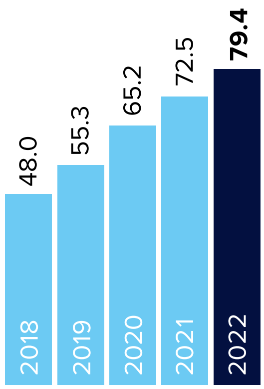
SHAREHOLDER LETTER

CSI's commitment to our shareholders, employees, and customers contributed to our record results. We achieved our 22nd consecutive year of revenue growth and our 25th consecutive year of earnings growth. We also celebrated record results with our 50th consecutive year of paying increased dividends to our shareholders. We are immensely proud of our resilience and continued progress during another year of economic and operating challenges arising from the COVID-19 pandemic.

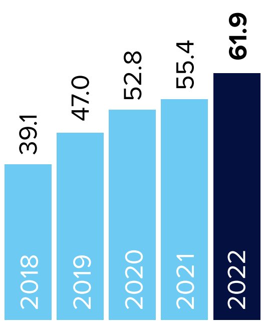
RECORD FINANCIAL RESULTS

Revenues for fiscal 2022 crossed the $300 million mark, rising 8.7% to a record $316.6 million. We benefited from a 9.9% increase in revenues from our Enterprise Banking Group to $196.6 million and a 6.8% increase to $120.1 million from our Business Solutions Group. Our revenue momentum picked up in the second half of the year due to new accounts coming online, continued demand for digital banking services, increased volume from payments processing and higher demand for our regulatory compliance and managed information technology and cybersecurity services. With much of our team working remotely last year, we maintained our commitment to outstanding customer service—which contributed to our considerable customer retention rate—and our recurring revenues remained high at 90% of total revenues for fiscal 2022.

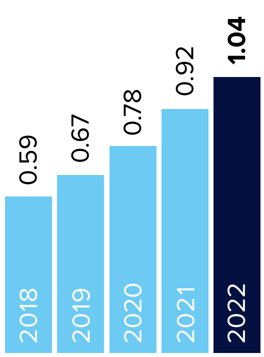
Operating income rose 9.5% to $79.4 million and benefited from higher margins due to higher growth in revenue than operating expense. Our net income increased 11.6% to a record $61.9 million, or $2.25 per share, in fiscal 2022 compared with $55.4 million, or $2.01 per share, in the prior fiscal year.



OPERATING INCOME
$Millions



NET INCOME
$Millions



ANNUAL DIVIDENDS
$Per Share

STRONG CASH FLOWS FUND NEW TECHNOLOGY INVESTMENTS

CSI's cash flow from operations rose 8.1% to $70.1 million in fiscal 2022. We continued our commitment to growing CSI's infrastructure by investing $16.3 million in property, equipment and software. In fiscal 2023, we are continuing that trend through additional investments in technology to continue supporting our existing clients, expand our market share and develop new opportunities in complementary verticals. We believe these increased investments will strengthen our position as a fintech player, expedite our adoption of cloud technology—increasing the scalability of our solutions and accelerating our speed to market—and allow us to grow revenue and earnings in the current fiscal year and position us for more rapid growth in the years to come.

Last fiscal year we hired Vijayaraghava (Vijay) Reddy as CSI's new Chief Technology Officer to lead our software and infrastructure management groups, which are focused on our digital transformation, cybersecurity and public cloud adoption, as well as key strategic initiatives across the organization. Reddy has more than 20 years of experience in the technology industry, with a focus on enterprise technology, cloud services, IT security services and customer experience.

We are also reviewing acquisition targets in fintech and adjacent markets that add capabilities and complement our existing offerings. CSI has a solid track record of building on past acquisitions that have expanded our markets, opened up new geographies and enhanced our growth trajectories. We look forward to reporting on our continued progress.

$316.6M

$61.9M NET INCOME up 11.6% from fiscal 2021

COMMITMENT TO BUILDING LONG-TERM SHAREHOLDER VALUE

CSI has one of the best dividend records of any company in the nation. Last year marked our 50th consecutive annual increase in cash dividends paid to shareholders. Our quarterly cash dividend increased by 8% to $0.27 per share, and we increased our stock repurchases in fiscal 2022 compared with the prior year.

Over the past 10 years, CSI has returned over $271 million to shareholders in quarterly cash dividends, special cash dividends and CSI stock repurchases. Our quarterly cash dividends have increased at a 15.8% compounded growth rate over the 10-year period. In addition, our Board of Directors' commitment to building long-term shareholder value was reinforced with an additional $10 million in stock repurchase authorization announced in October 2021.

FOCUS ON THE FUTURE

CSI proved its resilience during the COVID economy by moving forward, expanding solutions and enhancing our industry-leading customer service and support. We gained market share in our core banking business and added new customers in new geographies. We've moved well beyond regional bank processor status and now have customers in all 50 states plus Washington, D.C., and 29 foreign countries. We could not have achieved these milestones without the steadfast commitment of our employees, who remained devoted to supporting our goals and those of our customers during some of the most trying times our country has ever witnessed.

We anticipate even greater success for CSI's future. We are transforming our technology to expand our capacity and increase our speed in developing, adapting and deploying new solutions. We remain committed to our current customers and supporting them with best-in-class products, services and customer care. We believe these strategies will enhance our growth trajectory not only from existing customers but also from the new customers we will gain because of these initiatives.

Our strong financial position and cash flow provide us with a unique opportunity to continue returning cash to our shareholders while simultaneously making the investments that will allow us to build on our long history of growth. Our focus remains on long-term growth to build shareholder value. We are excited about our future opportunities and look forward to reporting on CSI's progress in fiscal 2023.

Steven A. Powless
Executive Chairman of the Board

David Culbertson
President and Chief Executive Officer

In July 2022, Steve Powless will step down as executive chairman while continuing as chairman of CSI's board of directors. CSI is indebted to Steve for his decades of leadership and guidance.

REVENUES up 8.7% from fiscal 2021

Management's Discussion and Analysis

of Financial Condition and Results of Operations

(in thousands, except share and per share data)

The following discussion and analysis provides information that management believes is relevant to an understanding of the Company's results of operations and financial condition. The discussion should be read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this Annual Report.

FORWARD-LOOKING STATEMENTS

All statements except historical statements contained herein constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. This annual report, quarterly reports and other written and oral statements that we make from time to time contain such forward-looking statements that may anticipate results based on management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and words and terms of similar substance in connection with any discussion of future operating or financial performance. Nonetheless, all statements except historical statements contained herein constitute "forward-looking statements." Forward-looking statements are inherently uncertain and are based only on current expectations and assumptions that are subject to future developments that may cause results to differ materially.

Readers should carefully consider: (i) economic, competitive, technological and governmental factors affecting CSI's operations, customers, markets, services, products and prices; (ii) risk factors affecting the financial services information technology industry generally including, but not limited to, cybersecurity risks that may result in increased costs to CSI to protect against the risks, as well as liability or reputational damage to CSI in the event of a breach or suspected breach of our security; (iii) risk factors affecting the United States economy generally including without limitation acts of terrorism, military actions including war, and viral epidemics and pandemics that alter human behaviors, including the COVID-19 pandemic and its effect on our business operations and financial results; (iv) increasing domestic and international regulations imposing burdensome requirements regarding the privacy of consumer data especially consumer financial transaction data of which CSI possesses substantial quantities; and (v) other factors discussed in CSI's Annual Reports, Quarterly Reports, Information and Disclosure Statements, News Releases, and other documents posted from time to time on the OTCQX website (www.otcmarkets.com), including without limitation, the description of the nature of CSI's business and its management discussion and analysis of financial condition and results of operations for reported periods.

Except as required by law or OTC Markets Group, Inc., CSI undertakes no obligation to update, and is not responsible for updating, the information contained or incorporated by reference in this document beyond the publication date, whether as a result of new information or future events, or to conform this document to actual results or changes in CSI's expectations, or for changes made to this document by wire services or Internet services or otherwise.

OVERVIEW

Our Business. Computer Services, Inc. is headquartered in Paducah, KY and employs approximately 1,200 employees across the United States. We provide service and information technology solutions to meet the business needs of financial institutions and corporate entities, predominantly, in both service-bureau and in-house environments. Our customer mix includes community and regional banks, multi-bank holding companies and global technology, logistics and insurance organizations, as well as a variety of other business enterprises, each with a unique set of information, technology and service requirements.

We derive our revenues from: core bank processing services, maintenance, and support fees; software licensing and installation fees; professional services; and equipment and supply sales. In addition to core bank processing, our integrated banking solutions include: digital banking; payments solutions; cybersecurity and IT Infrastructure solutions; check imaging; cash management; branch and merchant capture; print and mail and electronic document distribution services; corporate intranets; board portals; secure Web hosting; e-messaging; teller and platform services; ATM and debit card service and support; and compliance software and services for regulatory compliance, homeland security, anti-money laundering, anti-terrorism financing and fraud prevention.

We have two reportable segments, Enterprise Banking Group and Business Solutions Group, which both include all related revenues and the related cost of revenues.

Acquisitions. Our business strategy may include the acquisition from time-to-time of complementary businesses. Acquisitions may be financed by internally generated funds, debt, common stock or a combination of these. Our consolidated financial statements and results of operations reflect acquired business after the completion of the acquisition and are not restated. We account for acquired businesses using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

Market Conditions. We believe that financial institutions are increasingly focused on technology solutions, including digital banking, that can help them win and retain customers, generate incremental revenue, enhance their operating efficiencies and comply with increasing regulatory burdens.

Legislation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Financial Choice Act of 2017 and the Economic Growth, Regulatory Relief and Consumer Protection Act of 2018, now supplemented by the 2020 legislative response to the COVID-19 pandemic, including the Coronavirus Aid, Relief and Security (CARES) Act, as well as changes in the financial industry have resulted and will continue to result in constantly changing regulations impacting the financial and financial technology industries. We cannot predict the ultimate effect of the COVID-19 pandemic, legislation, regulations and industry changes on our customers or our Company.

Historically, merger and acquisition activity among community banks has varied markedly from time to time. Our bank customers have been active in the merger and acquisition market, resulting in both increased revenues as our customers acquire other banks and early contract termination fees as customers are acquired by non-CSI customer banks. However, the early termination fees do not fully offset the future stream of lost revenues from the terminating banks.

COVID-19 Pandemic. In March 2020, the World Health Organization formally recognized that a novel strain of coronavirus, COVID-19, had reached pandemic levels in the United States. In response, the United States federal government, as well as states and cities, have taken actions to prevent the spread of COVID-19 such as vaccine mandates, imposing travel restrictions and bans, quarantines, social distancing guidelines, shelter-in-place or lock-down orders and similar limitations. Accordingly, the COVID-19 pandemic has adversely impacted economic activity in many business sectors and has contributed to significant volatility in financial activities and markets during calendar 2020 and 2021.

Our operating performance is subject to economic and market conditions, including the effects of the COVID-19 pandemic, as well as their impacts on levels of consumer spending. As a result of the COVID-19 pandemic and the related decline in economic activity, we initially experienced a decline in payments volume and transactions that negatively impacted both of our operating segments' transaction-based fees in the prior fiscal year. Most payment transaction volumes began to recover in the second quarter of fiscal 2021 and continued to improve through fiscal 2022. In addition, through the end of fiscal 2022, we have also experienced delays in the supply chain for our resold third-party hardware, with respect to which we cannot predict the impact going forward on that revenue. Despite the impacts on broad economic activity and our operating circumstances caused by COVID-19, the overall impact on our ability to deliver our services has been manageable and our balance sheet, liquidity, earnings, cash flow and sales results remain strong, in part due to reduced travel and other expenses for activities that have been curtailed by necessity during the pandemic.

In response to the onset of the COVID-19 pandemic, we took several actions to protect the health and safety of our employees while maintaining business continuity. These actions included, among others: requiring a majority of our employees to work remotely; limiting or suspending non-essential travel; suspending all non-essential visitors to our facilities; disinfecting facilities and workspaces extensively and frequently; providing personal protective equipment; and requiring employees who must be present at our facilities to adhere to a variety of safety protocols. In addition, we implemented various measures to support our employees who were working remotely while balancing additional personal responsibilities and priorities created by the pandemic and governmental responses. We also provided increased pay for certain employees involved in critical infrastructure who could not work remotely.

On March 2, 2022, we required our employees to return to our facilities on a limited basis without restrictions and returned to normal business travel without restrictions. At this time, and into the next fiscal year in response to decreased infection rates, we expect to continue this course.

We will continue to monitor and assess any new developments related to COVID-19 and implement appropriate actions to minimize the risk to our operations of any material adverse developments. Ultimately, the extent of the impact of the COVID-19 pandemic on our future operational and financial performance will depend on, among other matters, the duration and intensity of the pandemic; the onset of variants of the virus, governmental and private sector responses to the pandemic and the impact of such responses on us, including the availability and administration of COVID-19 vaccines and other pharmaceutical products; and the continuing impact of the pandemic on our employees, customers, vendors, supply chain, operations and sales, including any such impacts that result from recessionary or suppressive forces within the broader economy. All of these factors are inherently uncertain and cannot be predicted.

RESULTS OF OPERATIONS

The following table presents the percentage of revenues represented by each item in our Consolidated Statements of Income and the percentage change in those items for the periods indicated:

	Percentage of Revenues			Percentage Change*	
YEARS ENDED FEBRUARY 28 AND 29,	**2022**	2021	2020	**2022**	2021
Revenues	**100.0 %**	100.0 %	100.0 %	**8.7 %**	2.5 %
Operating expenses	**74.9**	75.1	77.0	**8.4**	(0.1)
Operating income	**25.1**	24.9	23.0	**9.5**	11.1
Non-operating income	**0.0**	0.0	0.0	**nmf**	nmf
Interest income, net	**0.1**	0.2	0.5	**(63.2)**	(67.2)
Income before income taxes	**25.1**	25.1	23.5	**9.1**	9.5
Provision for income taxes	**5.6**	6.0	4.9	**0.9**	27.1
Net income	**19.5 %**	19.0 %	18.6 %	**11.6 %**	4.8 %

**Percentages may not total to 100 due to rounding*

FISCAL 2022 COMPARED WITH FISCAL 2021

Revenues. Total revenues increased $25,311, or 8.7%, in fiscal 2022 to $316,648 compared with $291,337 in fiscal 2021. The growth in revenues benefited from:

- robust sales activity in both the Enterprise Banking and Business Solutions Groups;
- increased transaction volumes in payments processing;
- the addition of new customers; and
- cross-sales to existing customers;

partially offset by:

- lower contract termination fees in fiscal 2022 compared with fiscal 2021; and
- the effect of departed business during fiscal 2022 and 2021.

Revenues included $4,693 in early contract termination fees in fiscal 2022 compared with $5,768 in fiscal 2021. These fees are generated when a customer terminates its contract prior to the end of the contracted term, a circumstance that typically arises when an existing CSI customer is acquired by another financial institution that is not a CSI customer. These fees can vary significantly from period to period based on the number and size of customers that are acquired and how early in their respective contract terms the customers are acquired. Excluding the effect of the early contract termination fees from both years, fiscal 2022 revenues increased $26,386, or 9.2% compared with fiscal 2021.

Operating Expenses. Operating expenses increased $18,397, or 8.4%, in fiscal 2022 compared with fiscal 2021 primarily related to:

- higher personnel expenses primarily due to the effect of typical annual salary adjustments, higher health insurance expense, special COVID-19 pandemic related employee incentives, and higher profit sharing plan contribution expenses;
- higher cost of goods sold on higher related payments processing, digital banking, and managed services revenues;
- higher professional fees; and
- higher relative travel expense due to the prior year period's significantly reduced travel due to the COVID-19 pandemic.

Operating Income. Operating income increased $6,914, or 9.5%, in fiscal 2022 compared with fiscal 2021. Operating margins improved to 25.1% in fiscal 2022 compared with 24.9% in fiscal 2021. Excluding the effect of early contract termination fees, operating income increased $7,989, or 12.0%, in fiscal 2022 compared with fiscal 2021.

Non-Operating Income. Non-operating income was $21 in fiscal 2022 compared with $37 in fiscal 2021. Both fiscal years' non-operating income was primarily due to the sale of an investment that generated $5,593 in initial consideration received during fiscal 2019 and an additional $1,050 in consideration received during fiscal 2020, $37 in consideration received in fiscal 2021, and a remaining $163 in consideration received in fiscal 2022.

Interest Income, net. Consolidated net interest income was $163 in fiscal 2022 compared with $443 in fiscal 2021, primarily due to lower interest rates earned on invested cash balances and lower average invested cash balances.

Income Before Income Taxes. Income before income taxes increased $6,618, or 9.1%, for 2022 compared with fiscal 2021.

Provision for Income Taxes. The provision for income taxes increased to $17,754 in fiscal 2022 compared with $17,588 in fiscal 2021 due to higher taxable income, partially offset by a lower effective tax rate in fiscal 2022 compared with fiscal 2021.

The consolidated effective income tax rate was 22.30% in fiscal 2022 compared with 24.10% in fiscal 2021. The decrease in the effective rate was due primarily to the timing of the recognition and allowances of certain deductions and credits taken in both fiscal years and a reduction in the Company's estimation of potential future exposure related to certain ongoing federal and state tax audits.

Net Income. Net income increased 11.6% to $61,856 in fiscal 2022 from $55,404 in fiscal 2021. Earnings per share increased 11.9% to $2.25 in fiscal 2022 from $2.01 in fiscal 2021. The growth rate in earnings per share exceeded the growth rate in net income due to earnings per share rounding and 0.5% net fewer weighted average shares outstanding for fiscal 2022 as a result of shares purchased during fiscal 2022 and fiscal 2021 under the Company's share repurchase programs.

REPORTABLE SEGMENT DISCUSSION

As of March 1, 2020, the Company reorganized into two reportable operating segments, as follows:

Enterprise Banking Group ("EBG") comprises our core bank processing services including payments solutions as well as our integrated banking solutions for mobile and Internet banking.

Business Solutions Group ("BSG") comprises our document solutions including check imaging, branch and merchant capture, print and mail and electronic document delivery services; managed services including cybersecurity, network management, cloud-based managed services, corporate intranets, telecommunications services, secure remote working connectivity, secure Web hosting, Board portals, e-messaging, software licensing and installation fees, professional services, equipment and supply sales, and maintenance and support fees; and regulatory compliance services including compliance software, homeland security, anti-money laundering, anti-terrorism financing, and fraud prevention.

The Company's two reportable business segments are managed and reported upon separately based on fundamental differences in their operations. The Company evaluates the performance of its segments based on the contributions to operating income of the respective segments and allocates resources to them based on various factors, including product development and innovation focus, market conditions, emerging technologies, competition, and others. Only revenue and costs of revenue are considered in the evaluation for each segment. Operating expenses that are not directly attributable to one of the two reportable segments are presented in the aggregate at the consolidated Company level.

EBG

YEARS ENDED FEBRUARY 28,	**2022**	2021	% Change
Revenues	**$ 196,597**	$ 178,903	9.9%
Cost of revenue	**105,239**	92,774	13.4%
Segment income	**$ 91,358**	$ 86,129	6.1%

EBG revenues increased $17,694, or 9.9%, for fiscal 2022 compared with fiscal 2021. Revenue growth was favorably impacted by the recovery in payments processing transaction volumes over the prior fiscal year, during which transaction volumes were suppressed due to the general reduction in economic activity as a result of the COVID-19 pandemic. Revenue growth was also driven by increased revenue from new and existing customers including increased demand for the segment's digital banking solutions as banks have continued to accelerate their digital support of customers as a result of the COVID-19 pandemic. EBG cost of revenue increased $12,465, or 13.4% for fiscal 2022 compared with fiscal 2021 primarily related to higher personnel expense and higher cost of goods sold on higher related revenues in payments processing and digital banking. EBG operating income increased $5,229, or 6.1%, for fiscal 2022 compared with fiscal 2021.

BSG

YEARS ENDED FEBRUARY 28,	**2022**	2021	% Change
Revenues	**$ 120,051**	$ 112,434	6.8%
Cost of revenue	**81,029**	74,296	9.1%
Segment income	**$ 39,022**	$ 38,138	2.3%

BSG revenues increased $7,617, or 6.8%, for fiscal 2022 compared with fiscal 2021. Revenue growth was attributable to increased regulatory compliance, network services, and document delivery revenues. BSG cost of revenue increased by $6,733, or 9.1%, for fiscal 2022 compared with fiscal 2021 primarily related to higher personnel expense and higher cost of goods sold on higher related revenues. BSG operating income increased by $884, or 2.3%, for fiscal 2022 compared with fiscal 2021.

FISCAL 2021 COMPARED WITH FISCAL 2020

Revenues. Total revenues increased $7,112, or 2.5%, to $291,337 in fiscal 2021 compared with $284,225 in fiscal 2020. The growth in revenues was primarily driven by:

- growth in digital banking;
- growth in homeland security and fraud prevention services;
- slight increases in payments transaction volumes from existing customers, despite suppression resulting from the general decline in economic activity as a result of the COVID-19 pandemic;
- the addition of new customers; and
- cross-sales to existing customers;

partially offset by:

- lower contract termination fees in fiscal 2021 compared with fiscal 2020;
- a decrease in third-party hardware and software sales resulting from the effects of the COVID-19 pandemic; and
- the effect of departed business during fiscal 2021 and 2020.

Revenues included early contract termination fees of $5,768 in fiscal 2021 compared with $8,471 in fiscal 2020. These fees are generated when a customer terminates its contract prior to the end of the contracted term, a circumstance that typically arises when an existing CSI customer is acquired by another financial institution that is not a CSI customer. These fees can vary significantly from period to period based on the number and size of customers that are acquired and how early in the contract term a customer is acquired. Excluding the effect of the early contract termination fees from both periods, revenues increased $9,815, or 3.6%, for fiscal 2021 compared with fiscal 2020.

Operating Expenses. Operating expenses were 0.1% lower in fiscal 2021 compared with fiscal 2020 primarily due to:

- lower travel and marketing expenses due to COVID-19 restrictions; and
- lower cost of goods sold from lower sales of third-party hardware and software;

mostly offset by:

- higher software amortization, new capital investments, and higher software and hardware maintenance expenses due to new capital investments placed into service during the trailing twelve-month period;
- higher cost of goods sold in network services as well as higher costs of good sold on higher digital banking revenues and on other higher revenues;
- higher employee-related expenses in fiscal 2021 compared with fiscal 2020 due to:
    - higher staffing;
    - the effect of typical annual salary adjustments;
    - higher commissions;
    - higher health insurance expense;
    - special COVID-19 pandemic related employee incentives;
    - partially offset by lower profit-sharing plan contribution expenses; and
- higher occupancy related expenses.

Operating Income. Operating income increased $7,236, or 11.1%, in fiscal 2021 compared with fiscal 2020. Operating margin improved to 24.9% in fiscal 2021 compared with 23.0% in fiscal 2020.

Non-Operating Income. The Company generated $37 in non-operating income during fiscal 2021 compared with $57 in non-operating income during fiscal 2020. Both fiscal years' non-operating income was due to the sale of an investment that generated $5,593 in initial consideration received during fiscal 2019 and a remaining $1,050 in consideration received during fiscal 2020.

Interest Income, net. Consolidated net interest income was $443 in fiscal 2021 compared with $1,351 in fiscal 2020, primarily due to lower interest rates earned on invested cash balances partially offset by higher average invested cash balances.

Income Before Income Taxes. Income before income taxes increased $6,308, or 9.5%, for fiscal 2021 compared with fiscal 2020.

Provision for Income Taxes. The provision for income taxes increased to $17,588 in fiscal 2021 compared with $13,838 in fiscal 2020 due to higher taxable income and a higher effective tax rate in fiscal 2021 compared with fiscal 2020.

The consolidated effective income tax rate was 24.10% in fiscal 2021 and 20.75% in fiscal 2020. The increase in the effective rate was due primarily to the timing of the recognition of certain deductions and credits taken in both fiscal years and changes in the Company's estimation of potential future exposure related to certain ongoing federal and state tax audits.

Net Income. Net income increased 4.8% to $55,404 in fiscal 2021 from $52,846 in fiscal 2020. Earnings per share increased 5.2% to $2.01 in fiscal 2021 from $1.91 in fiscal 2020. The growth rate in earnings per share exceeded the growth rate in net income due to earnings per share rounding and 0.2% net fewer weighted average shares outstanding for fiscal 2021 as a result of shares purchased during fiscal 2021 and fiscal 2020 under the Company's share repurchase programs.

Reportable Segment Discussion. The Company is a leading provider of financial, regulatory compliance and information technology solutions and services to financial institutions and other corporate entities. Beginning with the first quarter of fiscal 2021, the Company reorganized into two reportable operating segments, as follows:

Enterprise Banking Group ("EBG") comprises our core bank processing services including payments solutions as well as our integrated banking solutions for mobile and Internet banking.

Business Solutions Group ("BSG") comprises document solutions including check imaging, branch and merchant capture, print and mail and electronic document delivery services; managed services including network management, cloud-based managed services, corporate intranets, telecommunications services, secure remote working connectivity, secure Web hosting, Board portals, e-messaging, software licensing and installation fees, professional services, equipment and supply sales, and maintenance and support fees; and regulatory compliance services including compliance software, homeland security, anti-money laundering, anti-terrorism financing, and fraud prevention.

The Company's two reportable business segments are managed and reported upon separately based on fundamental differences in their operations. The Company evaluates the performance of its segments based on the contributions to operating income of the respective segments and allocates resources to them based on various factors, including product development and innovation focus, market conditions, emerging technologies, competition, and others. Only revenue and costs of revenue are considered in the evaluation for each segment. Operating expenses that are not directly attributable to one of the two reportable segments are presented in the aggregate at the consolidated Company level.

EBG

YEARS ENDED FEBRUARY 28 AND 29,	**2021**	2020	% Change
Revenues	**$ 178,903**	$ 171,896	4.1%
Cost of revenue	**92,774**	93,577	–0.9%
Segment income	**$ 86,129**	$ 78,319	10.0%

EBG revenues increased $7,007, or 4.1%, for fiscal 2021 compared with fiscal 2020. Revenue growth was driven by increased revenue from new and existing customers including increased demand for the segment's digital banking solutions as banks accelerated their online support of customers due to the COVID-19 pandemic. Moreover, during the second half of fiscal 2021, the Company benefited from recovery in payments processing transaction volumes that were down in the first half of fiscal 2021 due to the effects of the COVID-19 pandemic, resulting in payments processing revenue growth compared with fiscal 2020. EBG cost of revenue decreased $803, or 0.9%, for fiscal 2021 compared with fiscal 2020 primarily related to lower travel expenses as a result of COVID-19 restrictions, partially offset by higher costs of goods sold on higher related revenues in digital banking. EBG operating income increased $7,810, or 10.0%, for fiscal 2021 compared with fiscal 2020.

BSG

YEARS ENDED FEBRUARY 28 AND 29,	**2021**	2020	% Change
Revenues	**$ 112,434**	$ 112,329	0.1%
Cost of revenue	**74,296**	76,076	−2.3%
Segment income	**$ 38,138**	$ 36,253	5.2%

BSG revenues increased 0.1% for fiscal 2021 compared with fiscal 2020. The revenue change was primarily driven by increased document delivery and regulatory compliance revenues, partially offset by decreases in sales of third-party hardware and software, a decrease in network services, and migration from item capture (paper) transactions to digital banking transactions as a result of COVID-19 pandemic-related economic conditions. BSG cost of revenue decreased by $1,780, or 2.3%, for fiscal 2021 compared with fiscal 2020 primarily related to lower cost of goods sold on lower related revenues from resold third-party hardware and software products. BSG operating income increased by $1,885, or 5.2%, for fiscal 2021 compared with fiscal 2020.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL ASSET POSITION

YEARS ENDED FEBRUARY 28 AND 29,	**2022**	2021	2020
Financial assets*	**$60,996**	$45,398	$70,109
Short- and long-term debt	**–**	–	–
Net financial assets	**$60,996**	$45,398	$70,109

** Consists of cash and cash equivalents, short-term loans and investments, and long-term loans and investments*

Financial Position. As of February 28, 2022, we had cash and cash equivalents of $60,996, working capital of $48,662 and a current ratio (current assets to current liabilities) of 1.4:1. As of February 28, 2021, we had cash and cash equivalents of $45,398, working capital of $33,936 and a current ratio of 1.4:1. As of February 29, 2020, we had cash and cash equivalents of $70,109, working capital of $64,156 and a current ratio of 1.8:1. The reduction in cash and cash equivalents from fiscal 2020 to fiscal 2021 was primarily due to the payment of the special cash dividend of $1.00 per share on December 30, 2020.

Cash Equivalents. Cash equivalents consist of highly liquid investments with maturities of 90 days or less. Whenever possible, cash management is centralized and intercompany financing is used to provide working capital to our operations.

Debt Capacity. We have available lines of credit and revolving-credit agreements with multiple banks. As of February 28, 2022, we had access to $20,000 in lines of credit of which all $20,000 would have expired within one year if not renewed. Under these lines of credit, our lenders have committed to loan us up to $20,000 at our request, subject to our continued compliance with the terms and conditions of the agreements. No amounts were outstanding under these lines of credit as of February 28, 2022.

SUMMARY OF CASH FLOWS

YEARS ENDED FEBRUARY 28 AND 29,	2022	2021	2020
Cash flows from (used in):			
Operating activities	$ 70,084	$ 64,838	$ 60,907
Investing activities	(16,108)	(27,922)	(21,311)
Financing activities	(38,378)	(61,627)	(26,040)
Net change in Cash	$ 15,598	$ (24,711)	$ 13,556

Operating Activities. Net cash provided by operating activities was $70,084 for fiscal 2022, compared with $64,838 for fiscal 2021. The increase in operating cash flows was primarily due to higher net income. Cash from operations is primarily used to fund capital expenditures; repay debt, if any; pay dividends; and repurchase stock.

Investing Activities. Net cash used in investing activities was $16,108 for fiscal 2022, compared with $27,922 for fiscal 2021. The decrease in net cash used by investing activities was attributable to lower investments in software and software licenses.

Financing Activities. Net cash used in financing activities was $38,378 for fiscal 2022, compared with $61,627 for fiscal 2021. The decrease in net cash used by financing activities was primarily attributable to a decrease of $24,420 in dividends paid to shareholders of $28,584 in fiscal 2022 compared with $53,004 in fiscal 2021, during which a large one-time special dividend was paid, partially offset by an increase of $1,277 in common stock redeemed of $9,899 in fiscal 2022 compared with $8,623 in fiscal 2021.

CREDIT LINES

The Company renewed an unsecured bank credit line on April 15, 2020 that provides for funding up to $15,000 and bears interest at a floating rate equal to one-month LIBOR plus 0.90% (1.14% and 1.01% at February 28, 2022 and 2021, respectively). The unsecured revolving credit agreement expires in January 2023. At February 28, 2022, no amount was outstanding under the credit line. Further information on this credit line is included in the Subsequent Events disclosures.

The Company renewed an unsecured bank credit line on August 25, 2021 that provides for funding of up to $5,000 and bears interest at a floating rate equal to the prime rate minus 1.30% (1.95% and 1.95% at February 28, 2022 and 2021, respectively). The credit line expires in August 2022. At February 28, 2022, no amount was outstanding under the credit line.

The credit agreements contain customary restrictive and financial covenants as well as customary events of default. The terms of the credit agreements also include standard provisions related to conditions of borrowing, including customary material adverse effect clauses which could limit our ability to borrow funds. We have not experienced a material adverse effect, and we know of no circumstances or events that would be reasonably likely to result in a material adverse effect. At this time, we do not believe the material adverse effect clauses pose a material funding risk to us.

We believe our cash balances, operating cash flows, access to debt and equity financing and borrowing capacity, taken together, provide adequate resources to fund our ongoing liquidity requirements; to fund future expansion opportunities, capital expenditures and share repurchases; and to refinance debt, if any, as it matures. We believe that our liquidity resources will remain adequate despite the COVID-19 pandemic.

REPURCHASE OF COMMON STOCK

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or borrowings under its existing credit facilities. The primary share repurchase program does not include specific price targets or timetables and may be suspended at any time. The program is conducted on a continuous basis (subject to securities law restrictions) with rolling fund authorizations but, for completeness of presentation, the following descriptions of program activity track discrete fund authorizations through complete utilization of the funds.

In April 2017, the Board of Directors authorized a $10,000 increase in the share repurchase program. During fiscal 2018, we purchased 78,678 shares under the April 2017 authorization at an average price of $23.03 per share. During fiscal 2019, we purchased 267,346 shares under the April 2017 authorization at an average price of $25.38 per share. During fiscal 2020, we purchased 43,872 shares under the April 2017 authorization at an average price of $32.00 per share. In total, under the April 2017 authorization, we purchased 389,896 shares at an average price of $25.64.

In April 2019, the Board of Directors authorized a $10,000 increase in the share repurchase program. During fiscal 2020, we purchased 58,334 shares under the April 2019 authorization at an average price of $42.71. During fiscal 2021, we purchased 133,839 shares under the April 2019 authorization at an average price of $56.10. In total, under the April 2019 authorization, we purchased 192,173 shares at an average price of $52.04.

In December 2020, the Board of Directors authorized a $10,000 increase in the share repurchase program. During fiscal 2021, we purchased 5,108 shares under the December 2020 authorization at an average price of $60.75. During fiscal 2022, we purchased 148,384 shares under the December 2020 authorization at an average price of $59.26. In total, under the December 2020 authorization, we purchased 153,492 shares at an average price of $59.31. As of February 28, 2022, $896 remained available pursuant to the December 2020 authorization for share repurchases.

In September 2021, the Board of Directors authorized a $10,000 increase in the share repurchase program. During fiscal 2022, no shares were purchased under the September 2021 authorization. As of February 28, 2022, $10,000 remained available pursuant to the September 2021 authorization for share repurchases.

A summary of common stock purchases under our share repurchase programs follows:

	Shares of Common Stock Purchased	Average Per-Share Price Paid	Total Cost of Common Stock Purchased
2022:			
September 2021 program	**–**	**$ –**	**$ –**
December 2020 program	**148,384**	**$ 59.26**	**$ 8,794**
Total	**148,384**		**$ 8,794**
2021:			
December 2020 program	5,108	$ 60.75	$ 310
April 2019 program	133,839	$ 56.10	$ 7,509
Total	138,947		$ 7,819
2020:			
April 2019 program	58,334	$ 42.71	$ 2,491
April 2017 program	43,872	$ 32.00	$ 1,404
Total	102,206		$ 3,895

DIVIDENDS ON COMMON STOCK

We declared and paid dividends of $28,584 in fiscal 2022 and $53,004 in fiscal 2021. A special cash dividend of $1.00 per share was paid in fiscal 2021. The regular quarterly cash dividend of $1.04 per share in fiscal 2022 reflected an increase of 13.0% over the $0.92 per share paid in fiscal 2021. Our regular dividend payout ratio (dividends as a percentage of net income) was 46.2% in fiscal 2022 and 45.9% in fiscal 2021. Our dividend payout ratio including the special dividend of $1.00 was 95.7% in fiscal 2021. The fiscal 2022 regular cash dividend rate marks the 50th consecutive year with an increase in the regular dividend rate.

AUDIT AND NON-AUDIT FEES

Aggregate fees for professional services rendered for the Company by: (i) Crowe LLP ("Crowe"); (ii) BKD, LLP ("BKD"); (iii) Ernst & Young ("EY"); (iv) KPMG US LLP ("KPMG"); (v) LBMC, PC ("LBMC"); and (vi) RSM US LLP ("RSM") for fiscal 2022 and fiscal 2021 were:

	2022	2021
Crowe		
Audit fees	$ –	$ –
Audit related services	704	761
Tax preparation and planning services	–	–
Other non-auditing services	–	–
Total	$ 704	$ 761
BKD		
Audit fees	$ 152	$ 144
Audit related services	233	99
Tax preparation and planning services	–	–
Other non-auditing services	5	20
Total	$ 390	$ 263
EY		
Audit fees	$ –	$ –
Audit related services	–	–
Tax preparation and planning services	–	–
Other non-auditing services	523	–
Total	$ 523	$ –
KPMG		
Audit fees	$ –	$ –
Audit related services	–	–
Tax preparation and planning services	–	–
Other non-auditing services	10	–
Total	$ 10	$ –
LBMC		
Audit fees	$ –	$ –
Audit related services	–	–
Tax preparation and planning services	–	–
Other non-auditing services	15	–
Total	$ 15	$ –
RSM		
Audit fees	$ –	$ –
Audit related services	19	–
Tax preparation and planning services	–	–
Other non-auditing services	–	–
Total	$ 19	$ –

Audit Fees. Aggregate fees billed for professional services rendered for the audit of the Company's consolidated financial statements for fiscal 2022 and fiscal 2021.

Audit Related Services. Aggregate fees billed for employee benefit plan audits and service auditor reviews of our data processing controls and procedures as a third-party provider of these services to our customers.

Tax Preparation and Planning Services. Aggregate fees billed for the preparation or review of the Company's federal and state income tax returns and tax consultations related to tax compliance and planning.

Other Non-Auditing Services. Aggregate fees billed for third party administration of our qualified defined contribution plan, and accounting consultations and assistance provided with respect to special issues and other transactions. We do not use Crowe, BKD, EY, KPMG, LBMC, or RSM for financial information systems design and implementation. These services, which include designing or implementing a system that aggregates source data underlying the financial statements or generates information that is significant to our financial statements, are provided internally or by other service providers. We have a full-time internal audit department and do not engage Crowe, BKD, EY, or KPMG to provide compliance outsourcing services.

The Audit Committee of the Company's Board has responsibility for appointing, approving compensation for and overseeing the work of the independent auditors. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditors.

The Audit Committee has considered the non-audit services provided by Crowe and BKD and determined that the provision of such services had no effect on Crowe's and BKD's independence from the Company.

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 exposed to credit risk on credit extended to customers, and interest rate risk and market price risk on investments and borrowings. We actively monitor these risks through a variety of control procedures involving senior management. We do not currently use any derivative financial instruments. We invest and borrow primarily on a short-term or variable rate basis. Based on the controls in place, credit worthiness of our customer base and the relative size of these financial instruments, we believe the market risk associated with these instruments will not have a material adverse effect on our consolidated financial position or results of operations.

OFF-BALANCE SHEET ARRANGEMENTS

As of February 28, 2022, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our investors.

LEGAL PROCEEDINGS AND CONTINGENCIES

We and certain of our subsidiaries are involved from time to time in various commercial, tax and other legal disputes and proceedings that arise in the ordinary course of our business.

We record accruals for such contingencies to the extent that we conclude their occurrence is probable and any related damages are estimable. If a range of liability is probable and estimable and some amount within the range appears to be a better estimate than any other amount within the range, we accrue that amount. If a range of liability is probable and estimable and no amount appears to be a better estimate than any other amount within the range, we accrue the minimum of such probable range. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions (see Notes to Consolidated Financial Statements, Note 1 – Nature of Operations and Summary of Significant Accounting Policies: Use of Estimates). Our assessments are based on estimates and assumptions that have been deemed reasonable by management.

While we do not believe any of our current legal disputes or proceedings will have a material adverse effect on our financial position or results of operations, the effects of litigation, tax audits and other proceedings are inherently unpredictable, and excessive results do occur. Although we may believe we have substantial defenses in these matters, we could in the future incur consequences that could have a material adverse effect on our consolidated financial position or results of operations in any particular period.

SUBSEQUENT EVENTS

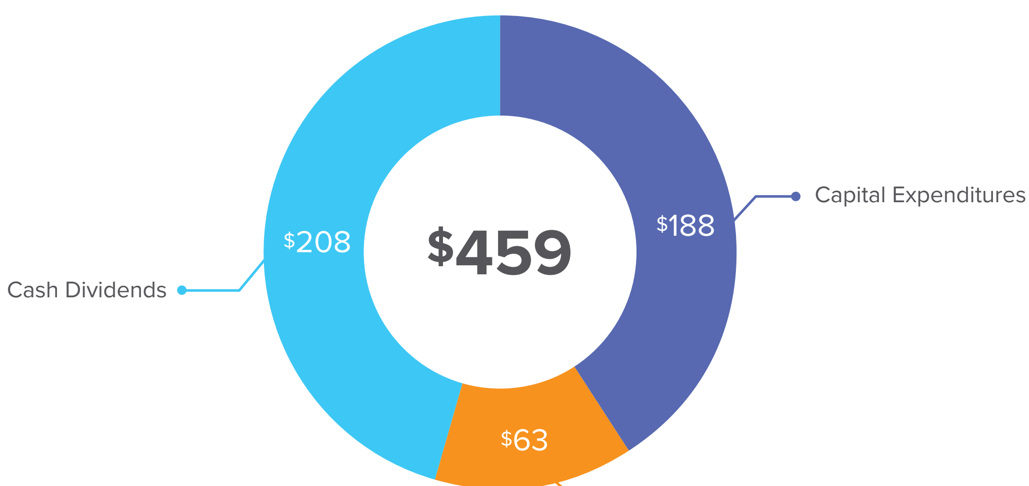
On March 2, 2022, the Company's Board of Directors declared a cash dividend of 27 cents per share payable to shareholders of record as of the close of business on March 15, 2022. This dividend was paid on March 29, 2022 in the aggregate amount of $7,414.

On March 24, 2022, the Company's Board of Directors declared a cash dividend of 27 cents per share, or approximately $7,425 in the aggregate, payable on June 27, 2022 to shareholders of record as of the close of business on June 1, 2022.

On March 25, 2022, the Company renewed an unsecured bank credit line that provides for funding up to $15,000 at an annual rate equal to 0.98% plus Daily Simple SOFR adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation. The unsecured revolving credit agreement expires in January 2025.

PRIMARY USES OF CASH SINCE THE BEGINNING OF FISCAL 2013

(Millions)



SELECTED FINANCIAL DATA *(Unaudited; in thousands, except share, per share and employee data)*

YEARS ENDED FEBRUARY 28 AND 29,	**2022**	2021	2020	2019
Income Summary				
Revenues	**$ 316,648**	$ 291,337	$ 284,225	$ 263,345
Operating expenses	**237,222**	218,825	218,949	208,038
Operating income	**79,426**	72,512	65,276	55,307
Gain/(loss) on sale of investment	**21**	37	57	4,093
Interest income (expense)	**163**	443	1,351	796
Income before income taxes	**79,610**	72,992	66,684	60,196
Provision for income taxes	**17,754**	17,588	13,838	13,169
Net income	**$ 61,856**	$ 55,404	$ 52,846	$ 47,027
Financial Position		*Revised*	*Revised*	*Revised*
Working capital	**$ 48,662**	$ 33,936	$ 64,156	$ 57,590
Current ratio	**1.4**	1.4	1.8	2.0
Net tangible assets	**$ 203,029**	$ 174,446	$ 178,340	$ 157,958
Property and equipment, net	**$ 41,412**	$ 43,755	$ 45,144	$ 41,600
Capital expenditures, net	**$ 16,271**	$ 27,959	$ 22,361	$ 20,972
Depreciation and amortization	**$ 22,333**	$ 24,162	$ 20,717	$ 18,849
Total debt	**$ –**	$ –	$ –	$ –
Total debt to total capitalization	**– %**	– %	– %	– %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**$ 104,636**	$ 98,564	$ 89,185	$ 76,557
Net cash provided by operating activities	**$ 70,084**	$ 64,838	$ 60,907	$ 58,128
Free cash flow	**$ 53,815**	$ 36,878	$ 38,547	$ 37,156
Return on average shareholders' equity	**24.0 %**	22.4 %	22.3 %	22.8 %
Per Common Share				
Net income, basic	**$ 2.25**	$ 2.01	$ 1.91	$ 1.69
Weighted average common and common equivalent shares outstanding, basic	**27,478,117**	27,625,040	27,685,543	27,818,606
Net income, diluted	**$ 2.25**	$ 2.01	$ 1.91	$ 1.69
Weighted average common and common equivalent shares outstanding, diluted	**27,478,117**	27,625,040	27,685,543	27,818,606
Cash dividends paid, regular	**$ 1.04**	$ 0.92	$ 0.78	$ 0.67
Cash dividends paid, special	**$ –**	$ 1.00	$ –	$ –
Book value at year-end	**$ 9.86**	$ 8.88	$ 9.04	$ 8.04
Market value at year-end	**$ 54.53**	$ 60.00	$ 52.00	$ 29.00
Price-earnings ratio at year-end, diluted	**24.2**	29.9	27.2	17.2
Dividend yield, regular	**1.9 %**	1.5 %	1.5 %	2.3 %
Dividend yield, including special dividend		3.2 %		
Dividend payout ratio, regular	**46.2 %**	45.9 %	40.9 %	39.7 %
Dividend payout ratio, including special dividend		95.7 %		
Margins				
EBITDA as a percent of total revenue	**33.0 %**	33.8 %	31.4 %	29.1 %
Operating income as a percent of total revenue	**25.1 %**	24.9 %	23.0 %	21.0 %
Income before taxes as a percent of total revenue	**25.1 %**	25.1 %	23.5 %	22.9 %
Net income as a percent of total revenue	**19.5 %**	19.0 %	18.6 %	17.9 %
Effective tax rate	**22.3 %**	24.1 %	20.8 %	21.9 %
Growth Rates				
Revenue	**8.7 %**	2.5 %	7.9 %	5.5 %
Net income	**11.6 %**	4.8 %	12.4 %	20.0 %
Earnings per common share, diluted	**11.9 %**	5.2 %	13.0 %	20.7 %
Cash dividends per common share, regular	**13.0 %**	17.9 %	16.4 %	13.6 %
Other				
Employees at year-end	**1,215**	1,268	1,209	1,176

2018	2017	2016	2015	2014	2013	2012
$ 249,558	$ 234,901	$ 224,725	$ 221,385	$ 212,914	$ 198,256	$ 178,224
201,494	184,920	176,608	175,568	168,821	156,395	137,839
48,064	49,981	48,117	45,817	44,093	41,861	40,385
–	–	–	–	–	–	–
124	93	48	9	(34)	(16)	(60)
48,188	50,074	48,165	45,826	44,059	41,845	40,325
9,012	19,153	19,025	17,987	17,403	16,006	14,819
$ 39,176	$ 30,921	$ 29,140	$ 27,839	$ 26,656	$ 25,839	$ 25,506
Revised	*Revised*	*Revised*	*Revised*	*Revised*	*Revised*	*Revised*
$ 52,218	$ 43,862	$ 30,231	$ 23,116	$ 9,233	$ 7,498	$ 13,097
2.3	2.3	2.1	1.8	1.3	1.3	1.5
$ 124,756	$ 103,034	$ 85,349	$ 77,238	$ 62,952	$ 55,878	$ 55,088
$ 37,044	$ 35,421	$ 34,655	$ 33,079	$ 35,252	$ 34,996	$ 32,341
$ 20,975	$ 13,678	$ 19,914	$ 11,407	$ 13,421	$ 21,025	$ 10,382
$ 16,322	$ 15,489	$ 15,024	$ 14,576	$ 15,524	$ 14,932	$ 13,529
$ –	$ –	$ –	$ –	$ 7	$ 67	$ 222
– %	– %	– %	– %	– %	0.1 %	0.2 %
$ 65,653	$ 66,623	$ 64,708	$ 61,627	$ 60,933	$ 58,057	$ 55,112
$ 46,830	$ 49,650	$ 45,064	$ 38,550	$ 36,625	$ 41,102	$ 45,783
$ 25,858	$ 35,972	$ 25,150	$ 27,143	$ 23,204	$ 20,077	$ 35,401
21.8 %	19.3 %	19.7 %	20.2 %	20.8 %	20.6 %	21.9 %
$ 1.40	$ 1.11	$ 1.04	$ 0.99	$ 0.93	$ 0.88	$ 0.87
27,926,788	28,014,364	28,213,610	28,321,414	28,881,336	29,390,244	29,299,260
$ 1.40	$ 1.11	$ 1.04	$ 0.99	$ 0.93	$ 0.88	$ 0.86
27,926,788	28,014,364	28,213,610	28,321,414	28,881,336	29,443,244	29,584,426
$ 0.59	$ 0.53	$ 0.47	$ 0.38	$ 0.30	$ 0.27	$ 0.24
$ –	$ –	$ –	$ –	$ –	$ 0.50	$ –
$ 6.83	$ 6.06	$ 5.43	$ 5.12	$ 4.62	$ 4.29	$ 4.28
$ 22.75	$ 22.50	$ 17.98	$ 20.28	$ 16.63	$ 14.85	$ 16.40
16.3	20.4	17.4	20.6	18.0	16.9	19.1
2.6 %	2.4 %	2.6 %	1.9 %	1.8 %	1.8 %	1.4 %
					5.2 %	
42.1 %	48.0 %	45.5 %	38.7 %	32.6 %	30.2 %	27.0 %
					87.1 %	
26.3 %	28.4 %	28.8 %	27.8 %	28.6 %	29.3 %	30.9 %
19.3 %	21.3 %	21.4 %	20.7 %	20.7 %	21.1 %	22.6 %
19.3 %	21.3 %	21.4 %	20.7 %	20.7 %	21.1 %	22.6 %
15.7 %	13.2 %	13.0 %	12.6 %	12.5 %	13.0 %	14.3 %
18.7 %	38.2 %	39.5 %	39.3 %	39.5 %	38.3 %	36.7 %
6.2 %	4.5 %	1.5 %	4.0 %	7.4 %	11.2 %	8.8 %
26.7 %	6.1 %	4.7 %	4.4 %	3.2 %	1.3 %	6.2 %
25.5 %	6.8 %	5.1 %	6.5 %	5.1 %	2.3 %	6.8 %
11.3 %	12.8 %	23.7 %	26.7 %	13.2 %	12.8 %	14.6 %
1,161	1,135	1,109	1,094	1,104	1,099	1,053

Management's Statement of Responsibility

Management of Computer Services, Inc. is responsible for the integrity and objectivity of the information contained in this annual report.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and, as such, include amounts based on judgments of management. Other financial information in this annual report is consistent with these financial statements.

The Company maintains a system of internal controls designed to provide reasonable assurance that transactions authorized by management are recorded and reported properly and that assets are safeguarded against loss or unauthorized use. Importantly, the system of controls is continually reviewed for its effectiveness and is augmented by written policies and guidelines, the careful selection and training of qualified personnel, and a strong program of internal audit.

The control environment is complemented by internal auditors who perform extensive audits and evaluate the adequacy of and the adherence to these controls, policies and procedures. In addition, the Company's independent public accountants have audited the financial statements in accordance with auditing standards generally accepted in the United States of America (U.S. GAAP) that include the consideration of the Company's internal controls to the extent necessary to form an independent opinion on the financial statements prepared by management.

The Board of Directors, through the Audit Committee, is responsible for: (i) assuring that management fulfills its responsibilities in the preparation of the Company's financial statements; (ii) appointing the independent accountants; and (iii) conducting reviews with the independent accountants, management, and the internal auditors. The Audit Committee meets regularly with management, the internal auditors and the independent accountants, jointly and separately, to receive reports on management's process of implementation and administration of internal accounting controls and other auditing and financial reporting matters. The independent accountants and the internal auditors have unfettered access to the Audit Committee.

David Culbertson
President and Chief Executive Officer

Brian Brown
Treasurer and CFO

Independent Auditor's Report

and Consolidated Financial Statements

To the Shareholders and Board of Directors, Computer Services, Inc. and Subsidiaries

OPINION: We have audited the consolidated financial statements of Computer Services, Inc. (the Company), which comprise the consolidated balance sheets as of February 28, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

BASIS FOR OPINION: We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS: Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS: Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT: Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BKD
CPAs & Advisors

BKD, LLP

Kansas City, Missouri
May 17, 2022

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

FEBRUARY 28,	**2022**	2021
ASSETS		
Current assets		
Cash	**$ 60,996**	$ 45,398
Funds held on behalf of clients	**12,263**	8,566
Accounts receivable, net	**52,991**	42,223
Income tax receivable	**1,694**	932
Deferred contract costs	**22,763**	18,718
Prepaid expenses and other current assets	**12,498**	10,917
Total current assets	**163,205**	126,754
Property and equipment, net	**41,412**	43,755
Software and software licenses, net	**26,438**	29,583
Deferred contract costs	**129,390**	106,936
Goodwill	**60,115**	60,115
Intangible assets, net	**2,682**	3,396
Right of use assets	**4,931**	6,734
Other assets	**6,730**	7,076
Total assets	**$ 434,903**	$ 384,349
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	**$ 24,757**	$ 20,096
Deferred contract liabilities	**62,695**	48,763
Deferred revenue	**12,690**	12,830
Client funding obligation - settlement liabilities	**12,263**	8,566
Current portion of operating lease liabilities	**2,138**	2,563
Total current liabilities	**114,543**	92,818
Long-term liabilities		
Deferred income taxes, net	**31,546**	29,314
Deferred contract liabilities	**13,389**	11,448
Operating lease liabilities	**2,964**	4,357
Other liabilities	**1,704**	1,721
Total long-term liabilities	**49,603**	46,840
Total liabilities	**164,146**	139,658
Shareholders' equity		
Preferred stock; shares authorized, 5,000,000; none issued	**–**	–
Common stock, no par; 60,000,000 shares authorized; 27,460,955 shares issued at February 28, 2022; 27,565,001 shares issued at February 28, 2021	**35,303**	32,546
Retained earnings	**235,454**	211,852
Accumulated other comprehensive income, net	**–**	293
Total shareholders' equity	**270,757**	244,691
Total liabilities and shareholders' equity	**$ 434,903**	$ 384,349

** See accompanying notes to consolidated financial statements.*

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share and per share data)

YEARS ENDED FEBRUARY 28 AND 29,	**2022**	2021	2020
Revenues	$ **316,648**	$ 291,337	$ 284,225
Operating expenses	**237,222**	218,825	218,949
Operating income	**79,426**	72,512	65,276
Non-operating income	**21**	37	57
Interest income, net	**163**	443	1,351
Income before income taxes	**79,610**	72,992	66,684
Provision for income taxes	**17,754**	17,588	13,838
Net income	$ **61,856**	$ 55,404	$ 52,846
Earnings per common share	$ **2.25**	$ 2.01	$ 1.91
Shares used in computing earnings per common share	**27,478,117**	27,625,040	27,685,543

** See accompanying notes to consolidated financial statements.*

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except share and per share data)

YEARS ENDED FEBRUARY 28 AND 29,	**2022**	2021	2020
Net income	$ **61,856**	$ 55,404	$ 52,846
Other comprehensive income			
Post retirement benefits adjustment	**(293)**	(1,662)	(1,662)
Comprehensive income	$ **61,563**	$ 53,742	$ 51,184

** See accompanying notes to consolidated financial statements.*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands, except share and per share data)

	Common Stock		Retained	Accumulated Other Comprehensive	
	Shares	Amount	Earnings	Income (Loss)	Total
Balance at February 28, 2019	27,692,736	$ 28,253	$ 190,915	$ 3,617	$ 222,785
Net income	–	–	52,846	–	52,846
Cash dividends paid ($0.78 per share)	–	–	(21,600)	–	(21,600)
Issuance of common stock	9,940	435	–	–	435
Issuance of restricted stock	73,438	–	–	–	–
Restricted stock vested	–	1,751	–	–	1,751
Restricted stock forfeited	(3,475)	–	–	–	–
Other comprehensive loss	–	–	–	(1,662)	(1,662)
Repurchase of common stock	(102,206)	(126)	(3,769)	–	(3,895)
Tax withholding related to share-based compensation	(15,568)	(18)	(527)	–	(545)
Balance at February 29, 2020	27,654,865	30,295	217,865	1,955	250,115
Net income	–	–	55,404	–	55,404
Cash dividends paid ($1.92 per share)	–	–	(53,004)	–	(53,004)
Issuance of common stock	10,168	570	–	–	570
Issuance of restricted stock	57,411	–	–	–	–
Restricted stock vested	–	1,891	–	–	1,891
Other comprehensive loss	–	–	–	(1,662)	(1,662)
Repurchase of common stock	(138,947)	(187)	(7,633)	–	(7,819)
Tax withholding related to share-based compensation	(18,496)	(23)	(780)	–	(804)
Balance at February 28, 2021	27,565,001	32,546	211,852	293	244,691
Net income	**–**	**–**	**61,856**	**–**	**61,856**
Cash dividends paid ($1.04 per share)	**–**	**–**	**(28,584)**	**–**	**(28,584)**
Issuance of common stock	**14,130**	**807**	**–**	**–**	**807**
Issuance of restricted stock	**53,610**	**–**	**–**	**–**	**–**
Restricted stock vested	**–**	**2,179**	**–**	**–**	**2,179**
Restricted stock forfeited	**(5,227)**	**–**	**–**	**–**	**–**
Other comprehensive loss	**–**	**–**	**–**	**(293)**	**(293)**
Repurchase of common stock	**(148,374)**	**(204)**	**(8,589)**	**–**	**(8,793)**
Tax withholding related to share-based compensation	**(18,185)**	**(25)**	**(1,081)**	**–**	**(1,106)**
Balance at February 28, 2022	**27,460,955**	**$ 35,303**	**$ 235,454**	**$ –**	**$ 270,757**

** See accompanying notes to consolidated financial statements.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

YEARS ENDED FEBRUARY 28 AND 29,	**2022**	2021	2020
Operating Activities			
Net income	**$ 61,856**	$ 55,404	$ 52,846
Depreciation	**8,603**	8,931	8,737
Amortization	**13,730**	15,231	11,980
Amortization of right of use assets	**2,768**	2,295	2,498
Restricted stock expense	**2,876**	1,891	3,188
Stock-based compensation expense	**702**	570	435
(Gain)/loss on sale of property and equipment	**11**	3	(34)
Impairment of intangible assets	**128**	–	–
Gain from equity investment	**–**	(37)	(57)
Change in deferred taxes	**3,470**	4,920	5,244
Changes in operating assets and liabilities:			
Accounts receivable	**(10,768)**	(4,230)	(258)
Income tax receivable	**(761)**	420	315
Prepaid expenses and other current assets	**(1,583)**	(409)	(814)
Right of use asset/lease liabilities	**(2,784)**	(2,337)	(2,182)
Other assets	**185**	(2,439)	(259)
Funds held on behalf of clients	**(3,697)**	346	–
Client funding obligation-settlement liabilities	**3,697**	(346)	–
Accounts payable and accrued expenses	**3,964**	1,136	(679)
Deferred revenue	**(193)**	1,547	(2,660)
Deferred contract liabilities	**15,872**	12,021	13,944
Deferred contract assets	**(26,498)**	(28,226)	(29,370)
Other liabilities	**(1,494)**	(1,853)	(1,967)
Net cash from operating activities	**70,084**	64,838	60,907
Investing Activities			
Proceeds from sale of property and equipment	**–**	–	38
Purchase of property and equipment	**(6,273)**	(7,545)	(12,286)
Purchase of software and software licenses	**(6,191)**	(17,432)	(8,581)
Computer software developed	**(3,807)**	(2,982)	(1,532)
Sale of equity investment	**163**	37	1,050
Net cash used in investing activities	**(16,108)**	(27,922)	(21,311)
Financing Activities			
Dividends paid	**(28,584)**	(53,004)	(21,600)
Repurchase of common stock	**(8,793)**	(7,819)	(3,895)
Tax withholding related to share-based compensation	**(1,106)**	(804)	(545)
Proceeds from the issuance of common shares	**105**	–	–
Net cash used in financing activities	**(38,378)**	(61,627)	(26,040)
Net change in cash	**15,598**	(24,711)	13,556
Cash, beginning of period	**45,398**	70,109	56,553
Cash, end of period	**$ 60,996**	$ 45,398	$ 70,109
Supplemental Cash Flows Information			
Delayed consideration receivable	**$ –**	$ –	$ 993

** See accompanying notes to consolidated financial statements.*

Notes to Consolidated Financial Statements

(in thousands, except share and per share data)

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

Nature of Operations: Computer Services, Inc., including its subsidiaries, ("CSI" or the "Company") delivers core processing, digital banking, managed services, payments processing, print and electronic distribution, and regulatory compliance solutions to financial institutions and corporate entities across the nation. In addition to core processing, the Company's integrated banking solutions include: check imaging; cash management; branch and merchant capture; mobile and Internet banking; print and mail, and electronic document delivery services; corporate intranets; secure Web hosting; e-messaging; teller and platform services; ATM and debit card service and support; and payments solutions. For both financial institutions and corporate customers generally, the Company offers: cybersecurity risk assessment; network management; cloud-based managed services; and compliance software and services for regulatory compliance, homeland security, anti-money laundering, anti-terrorism financing and fraud prevention.

Principles of Consolidation: The Company maintains its accounting records on the accrual basis of accounting and its Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents: The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. Deposit accounts that are comprised of funds held on behalf of others are not considered to be the Company's cash and cash equivalents, see following paragraph. The Company maintains cash balances at many financial institutions, the majority of which balances are in excess of the insurance limits of the Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses and the Company does not believe there is any significant credit risk with respect to these cash deposits. The Company has entered into deposit placement programs that distribute a substantial portion of the Company's funds among different select FDIC-insured financial institutions to avoid or to minimize the effect of the insurance limits at any single institution.

Funds Held on Behalf of Others and Client Funding Obligation – Settlement Liability: The Company holds funds on behalf of card processing clients in connection with providing card processing services. End-of-day available client bank balances are held in depository accounts. Funds held on behalf of clients in the form of cash and cash equivalents are included in funds held on behalf of clients on the Consolidated Balance Sheets. All funds held on behalf of clients represent assets that are restricted for use. Funds held on behalf of clients that meet the definition of restricted cash and restricted cash equivalents are not included in the beginning and end of period cash balances on the Consolidated Statements of Cash Flows. Cash inflows and outflows related to funds held on behalf of clients are reported on a net basis in the operating section of the Consolidated Statements of Cash Flows. The Company is obligated to remit restricted cash held to card processing clients in connection with providing card processing services, generally the following business day. The settlement liability represents the amount of funds held on behalf of others that is included in current liabilities.

Accounts Receivable: Accounts receivable are presented on the Consolidated Balance Sheets net of estimated collectible amounts, plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Management establishes a reserve for losses on its accounts receivable based on historic loss experience and current economic conditions. Losses are charged off to the reserve when management deems further collection efforts will not produce additional recoveries. During the years ended February 28, 2022 and February 28, 2021, losses on doubtful accounts receivable, where collectability is not reasonably assured, were $33 and $5, respectively.

Property and Equipment: Property and equipment are stated at cost, less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	40 years
Equipment	3 - 10 years

As of February 28, 2022 and 2021, property and equipment consisted of:

	2022	2021
Land	**$ 1,716**	$ 1,716
Buildings and improvements	**36,818**	36,428
Equipment	**76,252**	77,395
Construction-in-progress	**1,454**	779
	116,240	116,318
Less accumulated depreciation	**74,828**	72,563
	$ 41,412	$ 43,755

Goodwill and Other Intangible Assets: Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of an entity reporting unit, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

The Company has elected to perform its annual analysis as of the end of each fiscal year. No impairment was identified for years ended February 28, 2022, February 28, 2021, and February 29, 2020.

Intangible assets not subject to amortization primarily consist of governmental licenses to operate a competitive local telecommunications exchange carrier. Intangible assets not subject to amortization totaled $37 and $165 as of February 28, 2022 and 2021, respectively. The Company recognized impairment of intangible assets not subject to amortization in the amount of $128, $0 and $0 as of February 28, 2022, February 28, 2021, and February 29, 2020.

Other intangible assets primarily consist of customer relationships, non-compete agreements, patents, trade names and developed technology arising from acquisitions. The intangibles are amortized on a straight-line method over three to 16 years.

The carrying amounts of intangibles subject to amortization as of February 28, 2022 and 2021 were as follows:

	2022		2021	
	Gross Carrying Amount	**Accumulated Amortization**	Gross Carrying Amount	Accumulated Amortization
Customer relationships	**$ 11,593**	**$ 9,130**	$11,593	$ 8,576
Non-compete agreements	**1,700**	**1,700**	1,700	1,700
Patents	**427**	**427**	427	427
Trade name	**530**	**348**	530	316
Developed technology	**370**	**370**	370	370
Other	**216**	**216**	216	216
	$ 14,836	**$ 12,191**	$14,836	$ 11,605

Total amortization expense for each of the years ended February 28, 2022, February 28, 2021, and February 29, 2020 was $587, $658 and $658, respectively.

The estimated annual future amortization expense for each of the next five years, and the estimated aggregate expense thereafter, for all intangible assets remaining as of February 28, 2022 are as follows:

Fiscal years ending February 28 and 29,	Amount
2023	$ 580
2024	580
2025	580
2026	580
2027	325
Total	$ 2,645

Software and Software Licenses: Software and software licenses include the capitalization of costs to develop new software or to enhance existing software. Costs incurred in the preliminary project stage are expensed. Costs incurred in the application development stage are capitalized. Typical costs include coding, software configuration, and testing. Any post-implementation activities such as maintenance or bug fixes are expensed. Other software and software licenses are purchased from third parties.

Software and software licenses are being amortized on the straight-line basis over periods ranging from three to ten years. Such assets are periodically evaluated as to the recoverability of carrying values.

The carrying amount of software and software licenses subject to amortization as of February 28, 2022 and 2021 was as follows:

	2022		2021	
	Gross Carrying Amount	**Accumulated Amortization**	Gross Carrying Amount	Accumulated Amortization
Software and software licenses	**$ 84,465**	**$ (67,183)**	$ 80,731	$ (58,003)
Internally developed software	**17,403**	**(8,247)**	13,596	(6,741)
	$101,868	**$ (75,430)**	$ 94,327	$ (64,744)

Total amortization expense for the years ended February 28, 2022, February 28, 2021 and February 29, 2020 was $13,144, $14,573 and $11,322, respectively.

Long-Lived Asset Impairment: The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended February 28, 2022 and February 28, 2021.

Contract Balances: Deferred contract costs are the incremental costs that are directly associated with definitive term contracts with customers. These costs are deferred and amortized over the useful life, which has been determined to be the contract term. These customer acquisition and related integration costs are closely related to the revenue from the definitive term customer contracts and are recorded as an asset and charged to expense over the same period the revenue is recognized.

The Company incurs costs to fulfill contracts related to travel and salaries for on-boarding and implementation services. These costs are not related to separate performance obligations, and therefore are capitalized and amortized over the period of benefit, which has been determined to be the contract term.

Amortization is included in Operating expenses on the accompanying Consolidated Statements of Income. During the fiscal years ended February 28, 2022, February 28, 2021 and February 29, 2020, amortization of deferred contract costs totaled $21,122, $18,056, and $12,736, respectively. There were no impairment losses in relation to contract assets for the periods presented.

	2022	2021
Contract assets:		
Deferred implementation costs	**$ 49,267**	$ 42,481
Customer discounts and incentives assets	**$ 102,886**	$ 83,173
Contract liabilities:		
Customer discounts and incentives liabilities	**$ 59,771**	$ 45,673
Deferred implementation revenue liability	**$ 16,312**	$ 14,538

Revenue Recognition: The Company generates revenue through the sale of data processing services, equipment and supplies, maintenance contracts, software, eBusiness services, and other service products. The Company enters into service contracts with its customers varying from one to ten years in length. Revenues are recognized as services are provided on these contracts.

Deferred revenue consists primarily of payments received from customers for annual software licenses and software maintenance agreements. These revenues are recognized on a straight-line method on a 12 to 60 month rolling basis as the revenues are earned.

The Company records revenue under certain contracts for postage and telecommunications net of the related expenses. The Company provides these services as a convenience to its customers at the Company's cost. The net pass-through revenues for these services for the years ended February 28, 2022, February 28, 2021, and February 29, 2020 were $2,071, $2,110 and $2,212, respectively.

The Company provides billing credits to certain customers to be used for future services. These credits are capitalized at contract inception and amortized over the contract life, generally 7 to 10 years.

Performance Obligations: Revenue is recognized when control of the promised goods or services is transferred to the Company's customers. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract.

Allocation of Transaction Price: The transaction price, once determined, is allocated between the various performance obligations in the contract based upon their respective standalone selling prices. The standalone selling prices are determined based on the prices at which the Company separately sells each good or service. For items that are not sold separately, the Company estimates the standalone selling prices using relevant information that is reasonably available.

Significant Judgments: The Company has determined that direct labor costs associated with product installations meet the criteria of being directly related to a contract or a renewal of a contract because the costs generate and enhance the resources to satisfy the performance obligations. As such, the Company capitalizes these costs as incurred and amortizes them over the life of the contract.

Each standard contract contains an early termination clause that allows the Company, if the customer terminates the Company's services prior to the end of the contract term, to collect as liquidated damages a percentage of the anticipated revenues that would have been earned during the remaining contract term. Revenues from early contract termination fees are recognized as operating income ratably during the period between notice of contract termination and when the Company has completed its performance obligation to the customer. Total early contract termination fees recorded as a component of revenues in the accompanying consolidated financial statements for the years ended February 28, 2022, February 28, 2021 and February 29, 2020 were $4,693, $5,768 and $8,471, respectively.

Disaggregation of Revenue: The following table presents the Company's revenues disaggregated into categories that depict economic factors that affect the nature, amount, timing, and uncertainty of revenue and cash flows of such revenues recognized during the years ended February 28, 2022, February 28, 2021 and February 29, 2020:

	2022	2021	2020
Enterprise Banking Group	**$196,597**	$178,903	$171,896
Business Solutions Group	**120,051**	112,434	112,329
Total revenue	**$316,648**	$291,337	$284,225

Accounting Policies and Practical Expedients Elected: The Company elected to apply an accounting policy election that permits an entity to exclude from revenue (transaction price) any amounts collected from customers on behalf of governmental authorities, such as sales taxes, use tax, and other similar taxes collected concurrent with revenue-producing activities. Therefore, the Company presents revenue net of sales taxes and similar revenue-based taxes.

The Company elected to use the portfolio approach to evaluate contracts. As a practical expedient, a portfolio approach is permitted if it is reasonably expected that the approach's impact on the consolidated financial statements will not be materially different from the impact of applying the revenue standard on an individual contract basis.

The Company also elected a practical expedient that allows the Company to recognize the promised amount of consideration without adjusting for the time value of money if the contract has a duration of one year or less, or if the reason the contract extended beyond one year is because the timing of delivery of the product is at the customer's discretion. The Company's contracts typically do not have significant financing components.

Fair Value of Financial Instruments: The fair value approximates the carrying value for all financial instruments.

Postretirement Benefit Obligation: The Company's postretirement benefit obligation is measured and calculated using generally accepted actuarial methods. The Compensation-Retirement Benefits Topic of the FASB Accounting Standards Codification (ASC) requires the Company to recognize the funded status of its postretirement benefit in the Consolidated Balance Sheets with corresponding charges for net periodic postretirement benefit cost to operations and net actuarial gains and losses to other comprehensive income (loss).

As of February 28, 2022, employer contributions to the plan and benefits paid from the plan were $44. Other comprehensive income was $0, net of tax. A discount rate of 3.55 percent was assumed.

As of February 28, 2021, the postretirement benefit obligation has benefit obligations of $189 and employer contributions to the plan and benefits paid from the plan of $133. Current liabilities of $189 and noncurrent liabilities of $0 were recorded. Other comprehensive income is $293, net of tax. A discount rate of 3.55 percent was assumed.

Income Taxes: The Company accounts for income taxes in accordance with ASC 740, Income Taxes. The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, the tax position will be realized or sustained upon examination. The term “more likely than not” means a likelihood of more than 50 percent; and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management’s judgment. The Company recognizes interest as interest expense, and penalties on income taxes as penalty expense.

Cash paid for income tax expense during the years ended February 28, 2022, February 28, 2021 and February 29, 2020 was $15,045, $12,249 and $8,260, respectively.

The Company files consolidated income tax returns with its subsidiaries. With few exceptions, the Company is no longer subject to U.S. federal, or state and local income tax examinations by tax authorities for years before fiscal 2019.

Common Stock Split: On April 30, 2019, the Company effected a 2-for-1 stock split to shareholders of record as of April 11, 2019. All share and per share information has been retroactively adjusted to reflect the stock split.

Earnings Per Common Share: Earnings per common share is based on net income available to common shareholders divided by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding was 27,478,117, 27,625,040, and 27,685,543 for the fiscal years ended February 28, 2022, February 28, 2021 and February 29, 2020, respectively.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes changes in funded status of the defined benefit plan.

Reclassifications: Certain immaterial reclassifications have been made to the 2021 and 2020 consolidated financial statements for the Consolidated Balance Sheets and Consolidated Statements of Cash Flows with no effect on net income or shareholders’ equity.

NOTE 2. LEASES

The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right of use (“ROU”) assets and lease liabilities on the Consolidated Balance Sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company also determines lease classification as operating or finance at the lease commencement date.

The Company accounts for the lease and non-lease components separately. The non-lease components consist of common area maintenance costs related to real estate leases.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Company uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Certain leases require the Company to pay executory costs (property taxes, insurance, maintenance, and other operating expenses) associated with the leased asset. Such amounts are not included in the measurement of the lease liability to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

The lease term may include options to extend or to terminate the lease that the Company is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Company has elected not to record leases with an initial term of 12 months or less on the Consolidated Balance Sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

As of February 28, 2022 and 2021, the weighted-average remaining lease term for the Company's operating leases was 37 months and 41 months, respectively, and the weighted average discount rate was 2.61% and 3.00%, respectively.

Nature of Leases: The Company has determined that all leases entered into were classified as operating lease arrangements.

Operating Leases: The Company leases office space for branch sales and services offices that expire in various years through 2027. These leases generally contain renewal options for periods ranging from 3 to 5 years and require the Company to pay all executory costs. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

The Company leases a vehicle fleet for employees. Under the terms of the master lease agreement, the Company has guaranteed a residual value for the lease of the fleet. No amounts related to the residual value guarantee have been deemed probable and, thus, are not recorded.

Quantitative Disclosures: The lease cost and other required information for the years ended February 28, 2022 and 2021 are:

	2022	2021
Lease cost		
Operating lease cost	**$2,696**	$2,713
Variable lease cost	**460**	466
Total lease cost	**$3,156**	$3,179
Cash paid for amounts included in the measurement of lease liabilities for operating leases	**$2,731**	$2,729
Right of use assets obtained in exchange for new operating lease obligations	**$1,036**	$1,423

Future minimum lease payments and reconciliation to the Consolidated Balance Sheets at February 28, 2022 are as follows:

Years ending February 28 and 29,	Amount
2023	$ 2,239
2024	1,349
2025	883
2026	476
2027	349
Total lease payments to be paid	5,296
Less future interest	(194)
Lease liabilities	$ 5,102

NOTE 3. LAND AVAILABLE FOR SALE

The cost of land available for sale of $1,269 for both February 28, 2022 and 2021, primarily represents costs associated with the development of an office park in Paducah, Kentucky. These costs are allocated to each lot based upon each lot's proportionate share of salable acreage. The project is substantially complete and any future associated costs will not be material. As of February 28, 2022 and 2021, land available for sale was included in other assets on the accompanying Consolidated Balance Sheets.

NOTE 4. LINE OF CREDIT

The Company has a $15,000 commercial revolving line of credit. Interest is payable monthly at one-month LIBOR plus 0.90% (1.14% and 1.01% as of February 28, 2022 and 2021, respectively). The line of credit is unsecured and there were no outstanding borrowings on the line as of February 28, 2022 and 2021. The line of credit expires in January 2023.

The Company also has a $5,000 commercial revolving line of credit. Interest is payable monthly at prime minus 1.30% (1.95% and 1.95% as of February 28, 2022 and 2021, respectively). The line of credit is unsecured and there were no outstanding borrowings on the line as of February 28, 2022 and 2021. The line of credit expires in August 2022.

The Company is required to comply with certain obligations under the terms of its borrowing agreements as conditions to drawing funds. These provisions require the submission of certain certifications, prohibit certain transactions and require the Company to meet certain financial covenants.

NOTE 5. INCOME TAXES

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions.

The provision for income taxes includes these components:

	2022	2021	2020
Taxes currently payable	**$ 15,522**	$ 12,665	$ 8,574
Deferred income taxes	**2,232**	4,923	5,264
Income tax expense	**$ 17,754**	$ 17,588	$ 13,838

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense for 2020, 2021 and 2022 is shown below:

	2022	2021	2020
Computed at the statutory rate (21%)	**$ 16,718**	$ 15,328	$ 14,004
Increase (decrease) resulting from			
Nondeductible expenses	**(324)**	(258)	137
State income taxes	**3,240**	3,063	2,847
Other	**(1,880)**	(545)	(3,150)
Actual tax expense	**$ 17,754**	$ 17,588	$ 13,838

The tax effects of temporary differences related to deferred taxes shown on the Consolidated Balance Sheets were:

	2022	2021	2020
Deferred tax assets			
Accrued expenses	**$ 5,583**	$ 5,429	$ 1,001
Net operating loss carryforwards	**18**	58	98
Deferred tax liabilities			
Property and equipment	**(6,125)**	(7,805)	(8,453)
Goodwill and intangible assets	**(3,711)**	(3,571)	(3,510)
Prepaid expenses	**(1,473)**	(1,304)	(1,286)
Other	**(25,838)**	(22,121)	(12,244)
Total	**$(31,546)**	$(29,314)	$(24,394)

As of February 28, 2022, the Company has unused operating loss carryforwards of $83, which expire in July 2023.

NOTE 6. STOCK RIGHTS AND OTHER EQUITY PROGRAMS

Shareholders' Rights Plan: The Company has a shareholders' rights plan that granted to shareholders one preferred stock purchase right ("Right") for each outstanding share of the Company's common stock. Each Right entitles the purchase of one one-hundredth of a share of Series A preferred stock at a price determined by, and under the conditions set forth in, the Amended and Restated Rights Agreement. Because the issuance of Rights may substantially dilute the stock ownership of a person or group attempting to take over the Company without the approval of the Company's Board of Directors, the Company's rights plan could make an acquisition of the Company (or a significant percentage of its outstanding capital stock) by a third party without first negotiating with the Board more difficult. On December 9, 2021, the Company's Board of Directors extended the Rights through January 28, 2032, on which date they will expire unless further extended or reissued by the Board. 100,000 shares of the Company's blank check Preferred Stock were designated Series A Preferred Stock for use in the issuance of the Rights. None of the shares have been issued.

Share Repurchase Plan: The Board of Directors has authorized, from time-to-time, the Company to repurchase shares of its common stock. Under these authorizations, the Company may finance its share repurchases with available cash or borrowings under its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. The Company had the authority to repurchase additional shares for up to $10,896, $9,690 and $7,509 for the years ended February 28, 2022, February 28, 2021 and February 29, 2020.

NOTE 7. STOCK-BASED COMPENSATION

Beginning in 2013, the Company has authorized the issuance of common stock to members of the Company's Board of Directors for services performed. Compensation expense recognized for common stock issued for services provided by members of the Board of Directors and fully vested was $702, $570 and $435 for the years ended February 28, 2022, February 28, 2021 and February 29, 2020, respectively.

Restricted Stock Plan: Beginning in 2004, the Company has authorized, from time-to-time, the issuance of restricted stock to certain key employees under the Computer Services, Inc. Restricted Stock Plan. The shares vest ratably in four equal annual installments beginning one year after the date of the grant. During the vesting period, the participants have voting rights and receive dividends, but the shares may not be sold, assigned, transferred, pledged or otherwise encumbered. Additionally, granted but unvested shares are forfeited upon termination of employment, unless certain criteria are met.

The Company follows authoritative accounting guidance related to stock-based compensation that addresses the accounting for stock-based employee plans. The standard requires that such transactions are accounted for using a fair-value based method of accounting.

The fair value of the restricted shares on the date of grant is amortized ratably over the vesting period. Fair value of restricted shares granted is based on the closing price of the Company's common stock as of the date of the restricted stock grant. Unearned compensation initially recorded based on the market value of the shares on the date of grant is being amortized over the four-year vesting period.

The following is a summary of unearned compensation on restricted stock as of February 28, 2022, February 28, 2021 and February 29, 2020:

	2022	2021	2020
Balance, beginning of year	$ 5,316	$ 4,715	$ 3,968
Grant of restricted stock			
May 8, 2019	–	–	2,328
May 13, 2019	–	–	100
July 15, 2019	–	–	64
December 13, 2019	–	–	100
March 19, 2020	–	50	–
May 6, 2020	–	2,442	–
May 3, 2021	2,444	–	–
May 18, 2021	400	–	–
July 6, 2021	25	–	–
July 12, 2021	25	–	–
August 2, 2021	50	–	–
August 23, 2021	35	–	–
August 30, 2021	50	–	–
September 10, 2021	25	–	–
October 1, 2021	152	–	–
November 1, 2021	40	–	–
Restricted stock vested	(2,179)	(1,891)	(1,751)
Restricted stock forfeited	(226)	–	(94)
Balance, end of year	$ 6,157	$ 5,316	$ 4,715

The following is a summary of unvested shares of restricted stock as of February 28, 2022, February 28, 2021 and February 29, 2020:

	2022	2021	2020
Unvested balance, beginning of year	153,987	169,729	177,066
Granted	53,610	57,411	73,438
Vested	(67,962)	(73,153)	(77,300)
Forfeited	(5,227)	–	(3,475)
Unvested balance, end of year	134,408	153,987	169,729
Weighted average fair value:			
Granted	$ 60.55	$ 43.41	$ 35.29
Vested	$ 32.06	$ 25.86	$ 22.66
Forfeited	$ 43.21	$ –	$ 27.15

NOTE 8. EMPLOYEE BENEFITS

The Company maintains a qualified defined contribution plan that covers substantially all employees. Contributions to the plan are funded annually and totaled $10,690, $6,540 and $11,558, for the years ended February 28, 2022, February 28, 2021 and February 29, 2020, respectively. The Company has a deferred compensation agreement with its Executive Chairman that provides, upon disability or retirement, $1,000 in benefits. The present value of total estimated deferred compensation is being accrued in other long-term liabilities using the straight-line method over the remaining period to the full eligibility date. There were no expenses recognized for the years ended February 28, 2022, February 28, 2021 and February 29, 2020.

Employee Stock Purchase Plan: Beginning in July 2021, the Company has authorized an Employee Stock Purchase Plan (“ESPP”). Under the ESPP, eligible employees are granted the option to purchase shares at a 5% discount from the fair-market value at the time of exercise. A total of 200,000 shares of common stock were made available for purchase under the ESPP during the fiscal year ended February 28, 2022. Options to purchase shares are granted four times annually on or about January 15, April 15, July 15, and October 15 and are exercisable on or about the succeeding April 14, July 14, October 14 and January 14. As of February 28, 2022, approximately 197,939 of common stock were available for issuance under the ESPP.

NOTE 9. SELF-INSURANCE

The Company has elected to self-insure certain costs related to employee health and accident benefit programs. The Company has purchased insurance that limits its exposure for individual claims and limits its aggregate exposure to $200. Costs resulting from noninsured losses are charged to income when incurred. In establishing accruals for claims incurred and reported and estimates for claims incurred but not yet reported, the Company uses factors such as historical experience, known trends, and third-party administrator estimates to determine the appropriate amount to report as accrued liabilities. The amount of actual losses incurred could differ materially from the estimates reflected in these consolidated financial statements. Amounts charged to expense for self-insured employee health insurance programs totaled $10,668, $10,148 and $9,751 for the years ended February 28, 2022, February 28, 2021 and February 29, 2020, respectively.

NOTE 10. SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contingencies: The Company may, from time to time, be the defendant in litigation arising in the ordinary course of business. In the opinion of management and outside legal counsel, any currently pending or threatened litigation involving the Company is adequately covered by insurance or the ultimate outcome will not have a material impact on the consolidated financial position or results of operations of the Company.

NOTE 11. SEGMENT REPORTING

The Company is a leading provider of financial, regulatory compliance and information technology solutions and services to financial institutions and other corporate entities. Beginning March 1, 2020, the Company began managing and reporting on its businesses as two reportable business segments.

The Company's two reportable business segments are managed and reported upon separately based on fundamental differences in their operations. The Chief Operating Decision Makers (CODMs), determined to be the Senior Executive Leadership Team, evaluate the performance of the segments based on the contributions to operating income of the respective segments and allocate additional resources to each based on various factors, including product development and innovation focus, market conditions, emerging technologies, competitive factors, and others. Only revenue and costs of revenue are considered in the evaluation for each segment. Assets and liabilities are not allocated to segments for reporting presentation as the CODMs do not use such information as a key performance indicator.

The Company's operations are classified into two reportable segments as follows:

Enterprise Banking Group ("EBG") comprises our core bank processing services including payments solutions as well as our integrated banking solutions for mobile and Internet banking.

Business Solutions Group ("BSG") comprises: document solutions including check imaging, branch and merchant capture, print and mail and electronic document delivery services; managed services including cybersecurity, network management, cloud-based managed services, corporate intranets, telecommunications services, secure remote working connectivity, secure Web hosting, Board portals, e-messaging, software licensing and installation fees, professional services, equipment and supply sales, and maintenance and support fees; and regulatory compliance services including compliance software and services, homeland security, anti-money laundering, anti-terrorism financing, and fraud prevention.

Goodwill attributable to the EBG and BSG segment as of February 28, 2022 was $15,491 and $44,624, respectively.

Segment revenue and operating income were as follows for the years ended February 28, 2022 and 2021:

	Year Ended February 28, 2022		
	EBG	**BSG**	**Total**
Revenues	$ 196,597	$ 120,051	$ 316,648
Cost of revenue	105,239	81,029	186,268
Research and development			17,623
Selling, general, and administration			33,331
Operating expenses			237,222
Segment income	$ 91,358	$ 39,022	
Operating income			79,426
Other income (expense)			184
Income before income taxes			$ 79,610

	Year Ended February 28, 2021		
	EBG	BSG	Total
Revenues	$ 178,903	$ 112,434	$ 291,337
Cost of revenue	92,774	74,296	167,070
Research and development			18,724
Selling, general, and administration			33,031
Operating expenses			218,825
Segment income	$ 86,129	$ 38,138	
Operating income			72,512
Other income (expense)			480
Income before income taxes			$ 72,992

NOTE 12. SUBSEQUENT EVENTS

On March 2, 2022, the Company's Board of Directors declared a cash dividend of 27 cents per share payable to shareholders of record as of the close of business on March 15, 2022. This dividend was paid on March 29, 2022 in the aggregate amount of $7,414.

On March 24, 2022, the Company's Board of Directors declared a cash dividend of 27 cents per share, or approximately $7,425 in the aggregate, payable on June 27, 2022 to shareholders of record as of the close of business on June 1, 2022.

On March 25, 2022, the Company renewed an unsecured bank credit line that provides for funding up to $15,000 at an annual rate equal to 0.98% plus Daily Simple SOFR adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation. The unsecured revolving credit agreement expires in January 2025.

The Company has evaluated events through May 17, 2022, which is the date the consolidated financial statements were available to be issued.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(in thousands, except per share data)

	Quarter				
	First	Second	Third	Fourth	Total
2022					
Revenues	**$ 76,656**	**$ 77,051**	**$ 81,990**	**$ 80,951**	**$ 316,648**
Operating expenses	**57,856**	**58,312**	**61,117**	**59,937**	**237,222**
Operating income	**18,800**	**18,739**	**20,873**	**21,014**	**79,426**
Non-operating income	**–**	**84**	**78**	**(141)**	**21**
Interest income, net	**40**	**38**	**40**	**45**	**163**
Income before income taxes	**18,841**	**18,861**	**20,992**	**20,916**	**79,610**
Provision for income taxes	**4,427**	**4,345**	**4,776**	**4,206**	**17,754**
Net income	**$ 14,414**	**$ 14,516**	**$ 16,216**	**$ 16,710**	**$ 61,856**
Earnings per common share, basic	**$ 0.52**	**$ 0.53**	**$ 0.59**	**$ 0.61**	**$ 2.25**
Market price					
High	**$ 62.50**	**$ 63.95**	**$ 59.94**	**$ 59.59**	
Low	**$ 57.32**	**$ 51.15**	**$ 52.05**	**$ 52.88**	
Close	**$ 60.00**	**$ 58.00**	**$ 55.50**	**$ 54.53**	
2021					
Revenues	$ 70,639	$ 72,462	$ 72,750	$ 75,487	$ 291,337
Operating expenses	51,923	54,000	55,133	57,770	218,825
Operating income	18,716	18,462	17,617	17,717	72,512
Non-operating income	–	37	–	–	37
Interest income, net	129	202	68	44	443
Income before income taxes	18,845	18,702	17,685	17,761	72,992
Provision for income taxes	4,692	4,442	4,200	4,255	17,588
Net income	$ 14,153	$ 14,260	$ 13,485	$ 13,506	$ 55,404
Earnings per common share, basic	$ 0.51	$ 0.52	$ 0.49	$ 0.49	$ 2.01
Market price					
High	$ 52.45	$ 62.00	$ 62.85	$ 63.50	
Low	$ 37.01	$ 48.20	$ 56.36	$ 56.56	
Close	$ 49.94	$ 60.50	$ 56.50	$ 60.00	
2020					
Revenues	$ 69,022	$ 70,346	$ 72,115	$ 72,742	$ 284,225
Operating expenses	53,679	54,237	57,202	53,831	218,949
Operating income	15,342	16,109	14,913	18,911	65,276
Non-operating income	–	57	–	–	57
Interest income, net	323	370	323	335	1,351
Income before income taxes	15,665	16,536	15,236	19,246	66,684
Provision for income taxes	3,125	3,473	3,200	4,042	13,838
Net income	$ 12,541	$ 13,064	$ 12,037	$ 15,204	$ 52,846
Earnings per common share, basic	$ 0.45	$ 0.47	$ 0.43	$ 0.56	$ 1.91
Market price					
High	$ 40.00	$ 44.75	$ 47.50	$ 55.00	
Low	$ 28.03	$ 34.82	$ 41.07	$ 42.04	
Close	$ 37.00	$ 43.00	$ 42.90	$ 52.00	

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CSI LEADERSHIP

EXECUTIVE OFFICERS

Steven A. Powless
Executive Chairman

David Culbertson
President and CEO

Brian Brown
Treasurer and CFO

BOARD OF DIRECTORS

Steven A. Powless
Executive Chairman, Computer Services, Inc.
Member, Executive Committee
Member, Risk Committee

Dana Bowers
Founder and Chief Solution Architect,
Venminder, Inc.
Member, Risk Committee

Michael Carter
Head, Corporate & Investment Banking,
Truist Securities
Member, Profit Sharing Committee

David Culbertson
President and CEO, Computer Services, Inc.

Basil N. Drossos
Former General Motors Executive
Chairman, Audit Committee
Chairman, Profit Sharing Committee

Terrance P. Haas
CEO, Turnkey Risk Solutions
Former CEO, Harvard Drug Group
Member, Audit Committee
Member, Executive Committee
Chairman, Risk Committee

Kristin Rudolph Muhlner
CEO and Co-Founder, Affect Therapeutics
Former Executive Chairman, Skyword
Former CEO of newBrand Analytics and RollStream
Member, Profit Sharing Committee

David M. Paxton
Chairman, Paxton Media Group
Chairman, Executive Committee
Chairman, Compensation Committee

Robert L. Walker
Lead Independent Director
Former Senior Vice President and CFO,
Western and Southern Financial Group
Member, Audit Committee
Member, Executive Committee
Member, Compensation Committee

Tammy D. Souder
Chief Administrative Officer, Computer Services, Inc.
Secretary to the Board

INVESTOR INFORMATION

ANNUAL SHAREHOLDERS MEETING

CSI Corporate Headquarters
3901 Technology Drive
Paducah, Kentucky 42001-5201
Thursday, July 14, 2022
9:00 a.m. CST/CDT
Join the livestream at www.csiweb.com.

SHAREHOLDER INQUIRIES

Communications regarding stock holdings, stock certificates, dividend payments, changes of address, consolidation of accounts, transfers of ownership or other stock matters may be directed to Computershare Limited.

TRANSFER AGENT

Computershare Limited

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Shareholder Website:
www-us.computershare.com/investor/

Shareholder Online Inquiries:
www-us.computershare.com/investor/contact

Investor Centre™ Portal:
www.computershare.com/investor

INVESTOR RELATIONS

The Computer Services, Inc. annual report, quarterly reports, press releases and current stock price information are available on the company's website at www.csiweb.com. Visitors to our website may use the email updates option to automatically receive electronic notification of company announcements. Prospective investors, securities analysts, portfolio managers and representatives of financial institutions seeking these reports or other information regarding the company may contact:

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Computer Services, Inc.
3901 Technology Drive
Paducah, KY 42001-5201
Telephone: 270.442.7361, ext. 10689
Fax: 270.442.9905
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COMMON STOCK

On Feb. 28, 2022, Computer Services, Inc. had 6,438 beneficial owners of shares based on an estimate of the number of individual participants represented by security position listings and the number of record holders of the company's common stock. The company's common stock is traded on the Premier QX tier of the OTC Markets (www.otcmarkets.com) under the symbol CSVI. Quarterly dividends on Computer Services, Inc. common stock, when declared by the Board of Directors, are paid on or about March 31, June 25, September 25, and December 26. The company does not currently offer a dividend reinvestment program.

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