

CACI INTERNATIONAL INC /DE/

Form 10-K

August 28, 2014

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2014

OR

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

For the transition period from to

Commission File Number 001-31400

CACI International Inc

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

54-1345888
(I.R.S. Employer Identification No.)

1100 North Glebe Road, Arlington, VA 22201

(Address of principal executive offices)

(703) 841-7800

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of common shares held by non-affiliates of the registrant on December 31, 2013 was \$1,696,703,556, based upon the closing price of the registrant's common shares as quoted on the New York Stock Exchange composite tape on such date.

As of August 21, 2014, the registrant had 23,514,858 shares of common stock issued and outstanding.

Table of Contents

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information from the registrant's proxy statement for its 2014 annual meeting of stockholders. With the exception of the sections of the 2014 Proxy Statement specifically incorporated herein by reference, the 2014 Proxy Statement is not deemed to be filed as part of this Annual Report on Form 10-K.

Unless the context indicates otherwise, the terms "we", "our", "the Company" and "CACI" as used in Parts I, II and III include CACI International Inc and its subsidiaries and joint ventures that are more than 50 percent owned or otherwise controlled by it. The term "the registrant" as used in Parts I, II and III refers to CACI International Inc only.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this document and in press releases, written statements or other documents filed with the United States (U.S.) Securities and Exchange Commission (SEC), or in the Company's communications and discussions through webcasts, telephone calls and conference calls, may not address historical facts and, therefore, could be interpreted to be forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including projections of financial performance; statements of plans, strategies and objectives of management for future operations; any statement concerning developments, performance or industry rankings relating to products or services; any statements regarding future economic conditions or performance; any statements of assumptions underlying any of the foregoing; and any other statements that address activities, events or developments that CACI intends, expects, projects, believes or anticipates will or may occur in the future. Forward-looking statements may be characterized by terminology such as "believe", "anticipate", "expect", "should", "intend", "plan", "will", "estimates", "projects", "strategy" and similar expressions. These forward-looking statements are based on assumptions and assessments made by the Company's management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties that include but are not limited to the factors set forth under Item 1A, Risk Factors in this Annual Report on Form 10-K.

Any such forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ materially from those envisaged by such forward-looking statements. The forward-looking statements included herein speak only as of the date of this Annual Report on Form 10-K. The Company disclaims any duty to update such forward-looking statements, all of which are expressly qualified by the foregoing.

Table of Contents

CACI International Inc

FORM 10-K

TABLE OF CONTENTS

PART I

Item 1.	<u>Business</u>	3
Item 1A.	<u>Risk Factors</u>	13
Item 1B.	<u>Unresolved Staff Comments</u>	25
Item 2.	<u>Properties</u>	25
Item 3.	<u>Legal Proceedings</u>	25
Item 4.	<u>Mine Safety Disclosures</u>	27

PART II

Item 5.	<u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	28
Item 6.	<u>Selected Financial Data</u>	30
Item 7.	<u>Management's Discussion and Analysis of Financial Condition & Results of Operations</u>	30
Item 7A.	<u>Quantitative and Qualitative Disclosure About Market Risk</u>	39
Item 8.	<u>Financial Statements and Supplementary Data</u>	40
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	40
Item 9A.	<u>Controls and Procedures</u>	40

PART III

Item 10.	<u>Officers, Directors and Executive Officers of the Registrant</u>	42
Item 11.	<u>Executive Compensation</u>	42
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management</u>	42
Item 13.	<u>Certain Relationships and Related Transactions</u>	42
Item 14.	<u>Principal Accounting Fees and Services</u>	42

PART IV

Item 15.	<u>Exhibits and Financial Statement Schedules</u>	43
----------	---	----

SIGNATURES

92

Table of Contents

PART I

Item 1. Business

Background

CACI International Inc, a Delaware corporation organized on October 8, 1985, is a holding company and its operations are conducted through subsidiaries, which are located in the U.S. and Europe, and a joint venture which is controlled by the registrant.

Our telephone number is (703) 841-7800 and our Internet page can be accessed at www.caci.com. We make our web site content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Annual Report on Form 10-K.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are made available free of charge on our Internet website at www.caci.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Documents filed by us with the SEC can also be viewed at www.sec.gov.

Overview

CACI founded its business in 1962 in simulation technology. With revenue for the year ended June 30, 2014 (FY2014) of \$3.6 billion, we serve clients in the U.S. federal government and commercial markets, primarily throughout North America and internationally on behalf of U.S. customers, as well as in the United Kingdom (U.K.) and the Netherlands. We deliver information solutions and services to our clients. Through our service offerings, we provide comprehensive and practical solutions by adapting emerging technologies and continually evolving legacy strengths. As a result of our diverse capabilities and client mission understanding, many of our client relationships have existed for ten years or more.

Our reliable and high-quality solutions and services have enabled us to successfully compete for and win repeat business, sustain long-term client relationships and compete effectively for new clients and new contracts. We seek competitive business opportunities and have designed our operations to support major programs through centralized business development and business alliances. We have structured our business development organization to respond to the competitive marketplace, particularly within the federal government, and support that activity with full-time marketing, sales, communications, and proposal development specialists.

Our primary customers are agencies of the U.S. government. Our information solutions and services are primarily targeted to the areas of defense, intelligence, homeland security and information technology (IT) modernization in support of national security missions and government transformation. The demand for our services, in large measure, is created by the increasingly complex network, systems and information environments in which governments and businesses operate, and by the need to stay current with emerging technology while increasing

productivity and, ultimately, improving performance.

Spending by the U.S. government with contractors who provide services to the Department of Defense (DoD), continues to be negatively impacted by the country's fiscal shortfall. The Budget Control Act of 2011 (the Budget Act) established limits on discretionary spending, reducing planned defense spending by a minimum of \$487 billion over a 10 year period that began at the end of the government's fiscal year 2012. In addition, the Budget Act included a sequester mechanism that imposed additional defense cuts of \$500 billion, or approximately 9 percent, over nine years starting in the government's fiscal year 2013, if the Congress did not identify a means to reduce the U.S. deficit by \$1.2 trillion. Because these means were not identified, the sequester mechanism took effect in March 2013. As a result of the agreement to end a shutdown of the U.S. Government in October 2013, the Bipartisan Budget Act of 2013 (BBA) was signed into law in late December

Table of Contents

2013. The law revised the amount of discretionary spending to be sequestered for the government's fiscal years 2014 and 2015, providing for \$22.5 billion and \$9 billion more of defense funding, respectively, than was originally allowed under the Budget Act.

In light of the Budget Act, the provisions of the BBA, and deficit reduction pressures, discretionary spending by the federal government continues to be constrained and is expected to be so for a number of years. Even with the reduced amount of sequestration for the government's Fiscal Year 2014, we experienced the impact of sequestration on contracts and task orders we hold and delays in the awarding of contracts on which we have bid. We expect this trend to continue into the government's Fiscal Year 2015, beginning on October 1, 2014.

The sequester mechanism, if left unmodified beyond the government's Fiscal Year 2015, along with other pressures on government spending, are negatively impacting our business and could have further negative impacts on us in the future. We may experience disruption of existing programs, delays in contract awards, and other actions, including partial or complete contract terminations.

During our FY2014, we took steps to make sure our cost structure is in line with our expectations of future business opportunities given the challenging environment for companies in our industry. We believe we are well positioned to win new business in the market areas we focus on, where the government is expected to continue to spend while constrained by sequestration.

At June 30, 2014, we had approximately 15,300 employees.

Domestic Operations

Our domestic operations account for 100 percent of our U.S. government revenue and 28.3 percent of our commercial revenue. Some of the contracts performed by our domestic operations involve assignment of employees to international locations in support of our federal government clients. At June 30, 2014, approximately 800 employees were on assignments in international locations. We provide our services and solutions to our domestic clients in the following market areas:

Business Systems Within the Business Systems market, we provide the full range of enterprise-wide information solutions and services required to plan, manage, architect, develop, deploy, and sustain the complex, integrated systems that are required by our customers to accomplish their transformation goals. CACI's system-enabled solutions and services yield high-value business outcomes in all the major management domains—financial, acquisition, human capital management, and logistics. We developed, deployed, and continue to enhance business systems for more than 100 federal agencies, and continually expand our reach as more federal agencies turn to CACI for complex system integrations. Our solutions help to reshape the way government does business, from cutting costs and controlling processes to enhancing mission effectiveness and providing better information for decision making. By integrating complex commercial off-the-shelf (COTS) enterprise resource planning (ERP) products like Oracle E-Business Suite, PeopleSoft, SAP, and Momentum, or building custom SOA solutions to meet customer needs, we bring disciplined industry best practices and standards, advanced technology, and a deep understanding of federal and DoD processes and their unique policy compliance requirements. Our services include providing comprehensive support to most of the federal financial Shared Services Centers, the future of financial systems delivery and support in the federal government. CACI is a full service federal systems integrator, implementing the foundational system solutions for both mission and business support, and providing the consulting assistance and business intelligence/analytics that convert data into information and smart decisions. Our solutions employ an integrated cross-functional approach to maximize investments in existing systems while leveraging the potential of advanced technologies to implement new high-payback solutions.

Table of Contents

Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) We serve the C4ISR market with solutions for collection, processing, analysis, and exploitation of a wide range of intelligence sources. We offer integrated, rapid-response, and enterprise-wide C4ISR solutions in support of military, homeland security, law enforcement, border security, emergency response, and disaster relief missions in coordinated and controlled operational settings. Our services include engineering and integration, agile development and deployment, research and development, system sustainment, test and evaluation, software and system development, and end-to-end lifecycle planning. Using integrated sensors, information systems, data fusion and dissemination systems, and mission applications, we connect with our clients' fixed-site and mobile-networked environments to provide situational awareness and information dominance. We also provide solutions in the following areas: secure cloud computing, manned/unmanned airborne ISR, persistent ISR, ISR data fusion and analytical software tool discovery, modeling and simulation, specialized technical collection domains, C4 systems development and integration, beyond line-of-sight communications, next-generation satellite communications, secure wireless communications, and C4 information assurance protection.

Cyberspace We serve the Cybersecurity market in supporting the full lifecycle of preparing for, protecting against, detecting, reacting to, and actively responding to the full range of cyber threats. We proactively anticipate and address the unique security challenges associated with emerging and evolving technologies and business practices, such as cloud-based architectures, mobile and ubiquitous computing devices, and big data analytics. We facilitate next-generation dynamic and interactive cyber defenses based on real-time situational awareness and continuous analysis of the current risk posture as assessed against local and global threat activities. We support all aspects of cyber warfare, including cyber reconnaissance, cyber intelligence, cyber counterintelligence, and integrated offensive cyber operations. We offer computer and network forensics, insider threat mitigation, supply chain security, electronic warfare, communications security, secure IT professional services, and strategic consulting.

Enterprise IT We serve the Enterprise IT market, which includes clients throughout the DoD, the Intelligence Community, and federal civilian agencies, including the Departments of Homeland Security, Veterans Affairs, Justice, and Treasury. We provide tailored, end-to-end, enterprise-wide information solutions and services for the design, development, integration, deployment, operations and management, sustainment, and security of our clients' infrastructure. Our Enterprise IT solutions fall within three broad categories: in-house IT infrastructure systems (IT hardware, systems development, and integration); IT outsourcing (applications and infrastructure outsourcing); and IT design and support services (consulting and design, education, and training). Our operational, analytic, and consultancy and transformational services enable and optimize the full lifecycle of the enterprise IT environment improving the services, increasing the efficiency, and reducing the total cost and complexity of heterogeneous, networked, and geographically-dispersed operations. Our capabilities in network infrastructure design, deployment and management, data center design and management, cloud computing, virtualization, application development and hosting, mobility solutions, and advanced service desk management provide secure and efficient operational environments for our clients.

Geospatial We serve the Geospatial market for domestic and international clients with solutions and services that support the collection, processing, exploitation, analysis, and dissemination of geospatial information relating to defense, intelligence, homeland security, and commercial applications. We use imagery and other collected data from government and commercial sources to produce hardcopy and digital maps, three-dimensional products, and rapid-response reporting and notification to improve decision-making and enhance understanding of military actions, natural disasters, and social trends. We provide expertise in multi-source data analysis and conflation, diverse sensor exploitation, intelligence analysis, and geographic information system (GIS) integration and deployment. We offer mobile solutions and secure web-based data accessibility and subscription services on an enterprise-wide scale. We develop and deliver geospatial intelligence (GEOINT) products, solutions, and services that include collection and production management, advanced geospatial intelligence, commercial remote sensing

Table of Contents

analysis and engineering products, overhead persistent infrared systems engineering and acquisition, unified geospatial intelligence operations, enterprise architecture solutions and services, training, and strategic planning. We contribute to national security throughout the GEOINT programmatic lifecycle, which involves identifying strategic opportunities and developing strategic planning to facilitate program execution. Our staff is skilled in resource management, requirements analysis, quality management, organization development, advanced technologies, knowledge management, and acquisition management.

Healthcare We serve the Healthcare market to meet the steadily accelerating demand for new healthcare strategies and technologies throughout the U.S. government, including uniformed services, veterans and citizens. We provide transformational functional subject matter expertise and health IT services to the Department of Veterans Affairs, DoD Military Health System, Department of Health and Human Services, including the Centers for Disease Control and Prevention, the National Institutes of Health, the Centers for Medicare & Medicaid Services, and the Food and Drug Administration. We assist the federal medical community in focusing on the patient, ensuring that systems and processes at the backbone of health organizations are running efficiently. We provide solutions that unify federal healthcare delivery and support for military service personnel, veterans, and their beneficiaries. Our capabilities include healthcare information technology systems, for example designing, developing, and integrating virtual electronic health records; building components of our nation's bioterrorism preparedness and alerting network; collecting, integrating, and managing clinical data to support retrospective and prospective research; providing public health informatics; leveraging big data analytics to help healthcare organizations drive cost-effective business processes, improve patient care, and increase mission success; and providing all aspects of healthcare administration, logistics, and facility management.

Integrated Security Solutions We serve the Integrated Security Solutions (ISS) market by assisting clients in anticipating traditional and asymmetric threats to their organizations; recognizing potential critical vulnerabilities; and developing, integrating and sustaining a range of graduated response options and flexible capabilities they can employ to eliminate or mitigate the effects of these threats and vulnerabilities. We support the U.S. and our international partners and allies in mitigating and countering the effects of natural, technological, and man-made hazards which are undeterred by political and geographical boundaries, elements of national power, and international law. Our solutions include biometrics, border protection, specialized law enforcement, and countering illicit networks, including counter-piracy and counter-drug. They address security policy, definition, and capacity building; risk management; consequence management; critical event and incident preparedness; and training. We also provide outcomes-based training for operations in austere environments; tactical law enforcement training; critical infrastructure and key resources vulnerability assessments; counter-asymmetric threat awareness, counter-improvised explosive device training; trend analysis, operations and intelligence fusion, and human network analysis; application of technology and tradecraft to leverage non-traditional data sources, including social media; and strategic planning for combat, peacetime, and civil security operations.

Intelligence We serve the Intelligence market with a wide range of capabilities from high-end intelligence engineering to product development to intelligence analysis services. We have cleared and skilled personnel necessary to meet analytical, linguistic, collections, and operational requirements. A significant portion of our analytic work supports national security missions by augmenting government efforts to identify, characterize, and counter asymmetric and conventional threats around the world. We provide automated content tagging, exploitation, and management to turn large volumes of data into actionable intelligence. We build unique systems to locate and identify signals that help the mission of our intelligence professionals. We provide insider threat detection and counter-intelligence solutions to protect people, data, and facilities. Our counter-group analysis offerings utilize CACI-developed tools and methodologies to examine the transactional, hierarchical, temporal, and locational aspects of specific adversarial networks whether of hackers, insurgents, proliferators, or terrorists to determine

Table of Contents

key nodes, vulnerabilities, and intentions. In the area of collection, we emphasize close-access signals acquisition and anomaly detection to support requirements for force protection and human intelligence-enabled penetration of hard targets. Our strong internal procedures and processes enable us to develop and deliver innovative software solutions to help our customers be more effective in their missions. Our integrated approach to the intelligence mission allows us to offer innovative solutions to help support our customers' most challenging tasks.

Investigation & Litigation Support We support government investigations and litigations for the Securities and Exchange Commission, the Department of Justice, and numerous other federal agencies. The Investigation and Litigation Support (ILS) market focuses on areas present in almost every federal agency, including contract, financial, and personnel issues, torts, claims/case management, intellectual property, and Freedom of Information Act (FOIA) filings. We address the market in three broad categories: ILS information technology (document conversion and cloud hosting, including big data analysis and planning); professional services (documents/records management, attorney support, claims management, case management, FOIA, and training); and analytics (computer forensics and eDiscovery). Our services support agencies in their missions to oversee, regulate, and pursue civil and criminal prosecutions related to corporate waste, fraud, abuse, and regulatory violations supporting agency missions for oversight and enforcement as well as crisis investigation and crisis response. We help attorneys acquire, organize, develop, control, and present evidence throughout the course of litigations. Our portfolio of legal support includes cloud hosting (online evidentiary information management to rapidly enable data storage and accessibility); e-discovery consulting and support; data forensic extraction and analysis (including our American Society of Crime Laboratory Directors/Laboratory Accreditation Board accredited digital forensics laboratory); document/data capture and processing; database development, population, and maintenance; pre-trial, trial, and post-trial support; case management; training; claims processing and management; and FOIA support.

Logistics & Material Readiness In the Logistics and Material Readiness (LMR) market, we offer a full suite of solutions and service offerings that plan for, implement, and control the efficient, effective, and secure flow and storage of goods, services, and information in support of U.S. government agencies. Our LMR clients include customers in the government as well as those in the commercial sector. We provide LMR services in the following disciplines: supply chain management, maintenance material management, warehousing and distribution, logistics operations, integrated product support, product lifecycle management, training logistics, and ordnance logistics. We develop and manage logistics information systems and specialized simulation and modeling toolsets and provide logistics engineering services. Our operational capabilities span the supply chain, including advanced logistics planning, demand forecasting, total asset visibility (including the use of radio frequency identification technology), lifecycle support for weapons systems, and supply chain security. We minimize disruption to the supply chain using ISO 27001 and 28000-based supply chain risk management practices. Our logistics services are a critical enabler in support of defense readiness and combat sustainability objectives.

International Operations

Our international operations are conducted primarily through our operating subsidiaries in Europe, CACI Limited and CACI BV, and account for substantially all revenue generated from international clients and 71.7 percent of our commercial revenue. CACI's European operations operate primarily in our business systems and enterprise IT market areas.

Headquartered in London, our international operations provide a diverse mix of IT services and proprietary data and software products, serving commercial and government customers throughout the UK, continental Europe and around the world. The organization operates in three addressable markets: marketing solutions, social services and network services.

Table of Contents

Competition

We operate in a highly competitive industry that includes many firms, some of which are larger in size and have greater financial resources than we do. We obtain much of our business on the basis of proposals submitted in response to requests from potential and current customers, who may also receive proposals from other firms. Additionally, we face indirect competition from certain government agencies that perform services for themselves similar to those marketed by us. We know of no single competitor that is dominant in our fields of technology. We have a relatively small share of the available worldwide market for our solutions and services and intend to achieve growth and increase market share both organically and through strategic acquisitions.

Strengths and Strategy

We offer substantially our entire range of solutions and services and proprietary products to defense, intelligence and civilian agencies of the U.S. government. Our work for U.S. government agencies may combine a wide range of skills drawn from our solutions, services and product offerings. We also contract through our international operations to supply solutions, services and/or products to governments of other nations. As with other government contractors, our business is subject to government client funding decisions and actions that are beyond our control.

Although we are a supplier of proprietary computer-based technology products and marketing systems products, we are not primarily focused on being a software product developer-distributor (see discussion following under *Patents, Trademarks, Trade Secrets and Licenses*).

Our international commercial client base consists primarily of large enterprises in the U.K. This market is the primary target of our proprietary marketing systems software, and database products and consultancy services. Commercial bids are frequently negotiated as to terms and conditions for schedule, specifications, delivery and payment.

In order to effectively perform on our existing client contracts and secure new client contracts within the U.S. government, we must maintain expert knowledge of agency policies, operations and challenges. We combine this comprehensive knowledge with significant expertise in the design, integration, development and implementation of advanced information solutions and services. This capability provides us with opportunities either to compete directly for, or to support other bidders in competition for multi-million dollar and multi-year award contracts from the U.S. government.

We have strategic business relationships with a number of companies associated with the information technology industry. These strategic partners have business objectives compatible with ours and offer products and services that complement ours. We intend to continue development of these kinds of relationships wherever they support our growth objectives.

Our marketing and new business development is conducted by many of our officers and managers including the Chief Executive Officer, executive officers, vice presidents and division managers. We employ marketing professionals who identify and qualify major contract opportunities, primarily in the federal government market.

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

Much of our business is won through submission of formal competitive bids. Government and commercial clients typically base their decisions regarding contract awards on their assessment of the quality of past performance, responsiveness to proposal requirements, price, and other factors. The terms, conditions and form of contract of government bids, however, are in most cases specified by the client. In situations in which the client-imposed contract type and/or terms appear to expose us to inappropriate risk or do not offer us a sufficient financial return, we may seek alternate arrangements or opt not to bid for the work. Essentially all contracts with the U.S. government, and many contracts with other government entities, permit the government client to

Table of Contents

terminate the contract at any time for the convenience of the government or for default by the contractor. Although we operate under the risk that such terminations may occur and have a material impact on operations, such terminations have been rare and, generally, have not materially affected operations.

Our contracts and subcontracts are composed of a wide range of contract types, including firm fixed-price, cost reimbursement, time-and-materials (T&M), indefinite delivery/indefinite quantity (IDIQ) and government wide acquisition contracts (known as GWACS) such as General Services Administration (GSA) schedule contracts. By company policy, significant fixed-price contracts require the approval of at least two of our senior officers.

At any one time, we may have over two thousand separate active contracts and/or task orders. In FY2014, the ten top revenue-producing contracts, many of which consist of many task orders, accounted for 37.6 percent of our revenue, or \$1.3 billion.

In FY2014, 94.0 percent of our revenue came from U.S. government prime contracts or subcontracts consisting of 72.3 percent from DoD contracts and 21.7 percent from U.S. government civilian agency clients.

Industry Trends

The federal government is a large and sophisticated user of information technology. The nation's expenditures on military, homeland security, and intelligence operations are substantially larger than those of any of its allies or adversaries. Budgets for these operations have nearly doubled since the terrorist attacks in 2001. We believe that the following trends will impact the federal government's future spending on the types of services we provide:

U.S. Government fiscal budget issues will continue to introduce uncertainty and delays into procurement actions. As a partial response to budget pressures, the government may rely more heavily on awarding contracts to the low priced-technically acceptable offeror.

Market Opportunities

Government Wide Market Opportunities As federal government agencies seek to make spending reductions, opportunities to achieve cost reductions through improved operational efficiency will receive higher priority. Many IT initiatives emerging in both DoD and Office of Management and Budget (OMB) directed programs for civilian agencies are based on infrastructure consolidation and cost effective upgrades. These initiatives include infrastructure modernization, adoption of innovative commercial applications, and increased use of commercially provided infrastructure.

We continue to expect to see a steady stream of funding for transformational activities that yield results in a shorter timeframe to maximize investments with more stable and predictable information system outcomes. As the amount of data and information grows, and persistent threats to our national security continue, the demands for applications will grow as well, putting a higher value on faster and more efficient/effective technologies. We expect this demand to result in an increasing need for rapid deployment of cyber solutions, cloud computing, mobile applications, and data analytics. An additional area of cyber emphasis is the security of the supply chain. While technology provides part of the answer, the integration of processes and personnel using forward-looking systems and sound architectures is more likely to provide cost savings and performance efficiencies.

National Security Market Opportunities

Counterterrorism, counter proliferation, cyber security, and counterintelligence are at the immediate forefront of U.S. security concerns and they are all inextricably linked. Additionally, man-made and natural disasters are routinely addressed by applying the military and civilian resources of the U.S.

Table of Contents

The world is increasingly interconnected and interdependent. Instability can arise quickly and spread rapidly beyond borders. This phenomenon is readily apparent in events in the Pacific Rim, the Middle East and North Africa. As the U.S. reduces its conventional defense forces, as expected, the need for intelligence and surveillance of potential adversaries of all types will continue or grow.

It is likely that the Middle East will continue to be unstable even as U.S. national security organizations are executing a strategic shift toward Asia-Pacific. This shift will create opportunities as well as threats as the contractor community adapts to the changing needs of Defense, Intelligence, Homeland Security, State, and U.S. partners.

Funding to support the use of military and intelligence assets, particularly special operating forces, to combat these threats is not likely to change dramatically.

Logistics and force protection operations will continue. We anticipate a continuing need to re-set and modernize equipment and infrastructure as forces return from deployments.

Non-Security Market Opportunities

The intersection of law enforcement and intelligence is expected to continue to create opportunities supporting the Departments of Homeland Security, Justice, and State.

As budgets are diverted from weapons systems platforms to system upgrades and enhanced services for the non-combat warfighter, increasing competitive pressures from large aerospace firms and traditional original equipment manufacturing companies are anticipated. Non-traditional players have entered the market and have established positions related to such areas as cloud computing, cyber, satellite operations, business systems and healthcare IT. Moreover, commercial off-the shelf software solutions are gradually replacing government developed systems.

As companies strive to expand by increasing market share, there is increasing competition for acquisition candidates. Niche players in cyber, healthcare and data analytics are in particularly high demand.

The government has mandated changes to the manner in which it purchases goods and services. The aspects of this mandate that are most relevant to us are as follows:

The increased emphasis on the use of low priced, technically acceptable proposal evaluations represents a challenge to maintain value added differentiation to our solutions.

The use of time and material and sole-source contracts is now greatly reduced. The use of award fees is diminishing. In addition, more scrutiny is being placed on the amount of fee bid on cost reimbursable type contracts.

The increased engagement by competition advocates maximizes the use of multiple-source, continuously competitive contracts.

Fees for subcontract management are being limited to reflect actual value provided, i.e., risk assumed by prime and continuous subcontractor risk reduction.

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

In many cases, periods of performance on task orders are being limited to two years and periods for contracts are being limited to four years.

Size thresholds for small business have been revised upward so as to include businesses that currently exceed revenue thresholds.

The government's management of cash may slow the timing of payment of our invoices.

Table of Contents

Recent Significant Acquisitions

During the past three fiscal years, we completed a total of nine acquisitions, seven in the U.S. and two supporting our international operations, including:

The November 15, 2013 acquisition of Six3 Systems, a provider of highly specialized support to the national security community in the areas of cyber and signals intelligence; intelligence, surveillance and reconnaissance; and intelligence operations, for \$820.0 million plus \$25.8 million representing estimated cash and net working capital adjustment.

The December 31, 2012 acquisition of IDL Solutions, Inc., a provider of information technology solutions, applications, and mission-critical systems support to healthcare IT clients and other civilian agencies for \$21.5 million.

The November 30, 2012 acquisition of Emergint Technologies, Inc., a provider of emerging technology solutions focused on the data-driven needs of national health organizations for \$36.0 million.

The July 2, 2012 acquisition of Delta Solutions and Technologies, Inc., a provider of financial management and business services to the federal government for \$42.5 million.

The October 3, 2011 acquisition of Advanced Programs Group, LLC, a provider of Oracle e-Business Services to the U.S. government for \$66.0 million.

The September 1, 2011 acquisition of Paradigm Solutions Corporation, a provider of cybersecurity and enterprise IT solutions to clients in federal civilian agencies, the DoD, and the Intelligence Community for \$61.5 million.

The July 1, 2011 acquisition of Pangia Technologies, LLC, a software engineering services company that provides technical solutions in the areas of computer network operations, information assurance, mission systems, software and systems engineering, and IT infrastructure support for \$41.0 million.

Seasonal Nature of Business

Our business in general is not seasonal, although the summer and holiday seasons affect our revenue because of the impact of holidays and vacations on our labor and on product and service sales by our international operations. Variations in our business also may occur at the expiration of major contracts until such contracts are renewed or new business is obtained.

The U.S. government's fiscal year ends on September 30 of each year. It is not uncommon for government agencies to award extra tasks or complete other contract actions in the weeks before the end of a fiscal year in order to avoid the loss of unexpended funds. Moreover, in years when the U.S. government does not complete the budget process for the next fiscal year before the end of September, government operations whose appropriations legislation has not been signed into law are funded under a continuing resolution that authorizes them to continue to operate but traditionally does not authorize new spending initiatives.

CACI Employment and Benefits

Our employees are our most valuable resource. We are in continuing competition for highly skilled professionals in virtually all of our business areas. The success and growth of our business is significantly correlated with our ability to recruit, train, promote and retain high quality people at all levels of the organization. For these reasons, we endeavor to maintain competitive salary structures, incentive compensation programs, fringe benefits, opportunities for growth, and individual recognition and award programs. Fringe benefits are generally consistent across our subsidiaries, and include paid vacations, sick leave and holidays; medical, dental, disability and life insurance; tuition reimbursement for job-related education and training; and other benefits under various retirement savings and stock purchase plans.

Table of Contents

We have published policies that set high standards for the conduct of our business. We require all of our employees, independent contractors working on client engagements, officers, and directors annually to execute and affirm to the code of ethics applicable to their activities. In addition, we require annual ethics and compliance training for all of our employees to provide them with the knowledge necessary to maintain our high standards of ethics and compliance.

Patents, Trademarks, Trade Secrets and Licenses

We own approximately nine patents and patent applications in the United States. While we believe our patents are valid, we do not consider that our business is dependent on patent protection in any material way. We claim copyright, trademark and other proprietary rights in a variety of intellectual property, including each of our proprietary computer software and data products and the related documentation. We presently own approximately 22 registered trademarks and service marks and applications in the U.S. and approximately 32 registered trademarks and service marks in other countries, primarily the U.K. All of our registered trademarks and service marks may be renewed indefinitely. In addition, we assert copyrights in essentially all of our electronic and hard copy publications, proprietary software and data products, which rights can be maintained for up to 75 years. Because most of our business involves providing services to government entities, our operations generally are not substantially dependent upon obtaining and/or maintaining copyright or trademark protections, although our operations make use of such protections and benefit from them as discriminators in competition. We are also a party to agreements that give us the right to distribute computer software, data and other products owned by other companies, and to receive income from such distribution. As a systems integrator, it is important that we maintain access to software, data and products supplied by such third parties, but we generally have experienced little difficulty in doing so. The durations of such agreements vary according to the terms of the agreements themselves.

We maintain a number of trade secrets that contribute to our success and competitive distinction and endeavor to accord such trade secrets protection adequate to ensure their continuing availability to us. From time to time, we are required to assert our rights against former employees or other third parties who attempt to misappropriate our trade secrets and confidential information for their own personal or professional gain. We take such matters seriously and pursue claims against such individuals to the extent necessary to adequately protect our rights. While retaining protection of our trade secrets and vital confidential information is important, we are not materially dependent on maintenance of a specific trade secret.

Backlog

Our total backlog as of June 30, 2014, which consists primarily of contracts with the U.S. government, was \$7.1 billion, of which \$1.6 billion was for funded orders. Total backlog as of June 30, 2013 was \$6.9 billion. We presently anticipate, based on current revenue projections, that the majority of the funded backlog as of June 30, 2014 will result in revenue during the fiscal year ending June 30, 2015.

Our backlog represents the aggregate contract revenue we estimate will be earned over the remaining life of our contracts. We include in estimated remaining contract value only the contract revenue we expect to earn over the remaining term of the contract, even in cases where more than one company is awarded work under a given contract. Funded backlog is based upon amounts appropriated by a customer for payment for goods and services and as the U.S. government operates under annual appropriations, agencies of the U.S. government generally fund contracts on an incremental basis. As a result, the majority of our estimated remaining contract value is not funded backlog. The estimates used to compile remaining contract value are based on our experience under contracts, and we believe the estimates are reasonable. However, there can be no assurance that existing contracts will result in earned revenue in any future period or at all.

Table of Contents***Business Segments, Foreign Operations, and Major Customers***

Additional business segment, foreign operations and major customer information is provided in our Consolidated Financial Statements contained in this report. In particular, see Note 16, Business Segment, Customer and Geographic Information in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Revenue by Contract Type

The following information is provided on the amounts of our revenue attributable to cost reimbursable, firm fixed-price (including proprietary software product sales) and T&M contracts during each of the last three fiscal years:

	2014		Years ended June 30, 2013		2012	
	(dollars in thousands)					
Cost reimbursable	\$ 1,744,959	49.0%	\$ 1,783,430	48.4%	\$ 1,659,764	44.0%
Firm fixed-price	1,095,449	30.7	1,034,016	28.1	1,057,663	28.0
Time and materials	724,154	20.3	864,544	23.5	1,057,046	28.0
Total	\$ 3,564,562	100.0%	\$ 3,681,990	100.0%	\$ 3,774,473	100.0%

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as overall U.S. and non-U.S. economic and industry conditions including a global economic slowdown, geopolitical events, changes in laws or accounting rules, fluctuations in interest and exchange rates, terrorism, international conflicts, major health concerns, natural disasters or other disruptions of expected economic and business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business operations and liquidity.

We depend on contracts with the federal government for a substantial majority of our revenue, and our business could be seriously harmed if the government significantly decreased or ceased doing business with us.

We derived 94.0 percent of our total revenue in FY2014 and 94.4 percent of our total revenue in FY2013 from federal government contracts, either as a prime contractor or a subcontractor. We derived 72.3 percent of our total revenue in FY2014 and 74.3 percent of our total revenue in FY2013 from contracts with agencies of the DoD. We expect that federal government contracts will continue to be the primary source of our revenue for the foreseeable future. If we were suspended or debarred from contracting with the federal government generally, the General Services Administration, or any significant agency in the intelligence community or the DoD, or if our reputation or relationship with government agencies were to be impaired, or if the government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, our business, prospects, financial condition and operating results could be materially and adversely affected.

Our business could be adversely affected by delays caused by our competitors protesting major contract awards received by us, resulting in the delay of the initiation of work.

It can take many months to resolve protests by one or more of our competitors of contract awards we receive. The resulting delay in the startup and funding of the work under these contracts may cause our actual results to differ materially and adversely from those anticipated.

Table of Contents

Our business could be adversely affected by changes in budgetary priorities of the federal government.

Because we derive a substantial majority of our revenue from contracts with the federal government, we believe that the success and development of our business will continue to depend on our successful participation in federal government contract programs. Changes in federal government budgetary priorities could directly affect our financial performance. A significant decline in government expenditures, a shift of expenditures away from programs that we support or a change in federal government contracting policies could cause federal government agencies to reduce their purchases under contracts, to exercise their right to terminate contracts at any time without penalty or not to exercise options to renew contracts.

Subsequent to the enactment of the Budget Act of 2011, the Congress and the Administration were unable to reach agreement on budget reduction measures required by the legislation. The Budget Act required total projected defense spending to decline by \$487 billion from the government's fiscal year 2012 through 2021. It also included a sequester mechanism that imposed additional defense cuts of \$500 billion over nine years starting in the government's fiscal year 2013 if the Congress did not identify a means to reduce the U.S. deficit by \$1.2 trillion. In March 2013, as required by the Budget Act, the President ordered sequestration into effect which triggered automatic reductions in both defense and domestic discretionary spending for the government's fiscal year 2013. Sequestration continued into the government's fiscal year 2014; however, the BBA of 2013, signed into law in late December of 2013, revised the amount of discretionary spending to be reduced for the government's fiscal years 2014 and 2015 as originally allowed under the Budget Act. Even with the reduced amount of sequestration for the government's fiscal years 2014 and 2015, the resulting automatic across-the-board budget cuts are having and may continue to have significant consequences to our business and industry.

In years when Congress does not complete its budget process before the end of its fiscal year (September 30), government operations are funded through a CR that temporarily funds federal agencies. Recent CRs have generally provided funding at the levels provided in the previous fiscal year and have not authorized new spending initiatives. When the federal government operates under a CR, delays can occur in the procurement of products and services. Historically, such delays have not had a material effect on our business; however, should funding of the federal government continue to be provided through CRs during its fiscal year beginning on October 1, 2014 and extended through the entire government 2015 fiscal year, and sequestration continues as part of the implementation of the Budget Act, it could have significant consequences to our business and our industry. If Congress cannot complete its budget process or does not pass a CR by the end of September, a shutdown of the federal government will result on October 1, 2014, as happened in October 2013. Were a shutdown to occur, it could result in our incurring substantial labor or other costs without being reimbursed under our contracts or the delaying or cancelling of certain programs. This could also have an adverse effect on our business and our industry.

At times, we may continue to work without funding, and use our funds in order to meet our customer's desired delivery dates for products or services. It is uncertain at this time which of our programs' funding could be reduced in future years or whether new legislation will be passed by Congress in the next fiscal year that could result in additional or alternative funding cuts.

Additionally, our business could be seriously affected if the demand for and priority of funding for combat operations in Afghanistan decreases faster than we have anticipated or if we experience an increase in set-asides for small businesses which could result in our inability to compete directly for prime contracts.

Our federal government contracts may be terminated by the government at any time and may contain other provisions permitting the government not to continue with contract performance, and if lost contracts are not replaced, our operating results may differ materially and adversely from those anticipated.

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

We derive substantially all of our revenue from federal government contracts that typically span one or more base years and one or more option years. The option periods typically cover more than half of the contract s

Table of Contents

potential duration. Federal government agencies generally have the right not to exercise these option periods. In addition, our contracts typically also contain provisions permitting a government client to terminate the contract for its convenience. A decision not to exercise option periods or to terminate contracts for convenience could result in significant revenue shortfalls from those anticipated.

Federal government contracts contain numerous provisions that are unfavorable to us.

Federal government contracts contain provisions and are subject to laws and regulations that give the government rights and remedies, some of which are not typically found in commercial contracts, including allowing the government to:

cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;

claim rights in systems and software developed by us;

suspend or debar us from doing business with the federal government or with a governmental agency;

impose fines and penalties and subject us to criminal prosecution; and

control or prohibit the export of our data and technology.

If the government terminates a contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, we may be unable to recover even those amounts and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. Depending on the value of a contract, such termination could cause our actual results to differ materially and adversely from those anticipated. Certain contracts also contain organizational conflict of interest (OCI) clauses that limit our ability to compete for or perform certain other contracts. OCIs arise any time we engage in activities that (i) make us unable or potentially unable to render impartial assistance or advice to the government; (ii) impair or might impair our objectivity in performing contract work; or (iii) provide us with an unfair competitive advantage. For example, when we work on the design of a particular system, we may be precluded from competing for the contract to develop and install that system. Depending upon the value of the matters affected, an OCI issue that precludes our participation in or performance of a program or contract could cause our actual results to differ materially and adversely from those anticipated.

As is common with government contractors, we have experienced and continue to experience occasional performance issues under certain of our contracts. Depending upon the value of the matters affected, a performance problem that impacts our performance of a program or contract could cause our actual results to differ materially and adversely from those anticipated.

If we fail to establish and maintain important relationships with government entities and agencies, our ability to successfully bid for new business may be adversely affected.

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

To facilitate our ability to prepare bids for new business, we rely in part on establishing and maintaining relationships with officials of various government entities and agencies. These relationships enable us to provide informal input and advice to government entities and agencies prior to the development of a formal bid. We may be unable to successfully maintain our relationships with government entities and agencies, and any failure to do so may adversely affect our ability to bid successfully for new business and could cause our actual results to differ materially and adversely from those anticipated.

Table of Contents

We derive significant revenue from contracts and task orders awarded through a competitive bidding process. If we are unable to consistently win new awards over any extended period, our business and prospects will be adversely affected.

Our contracts and task orders with the federal government are typically awarded through a competitive bidding process. We expect that much of the business that we will seek in the foreseeable future will continue to be awarded through competitive bidding. Budgetary pressures and changes in the procurement process have caused many government clients to increasingly purchase goods and services through IDIQ contracts, GSA schedule contracts and other government-wide acquisition contracts. These contracts, some of which are awarded to multiple contractors, have increased competition and pricing pressure, requiring that we make sustained post-award efforts to realize revenue under each such contract. In addition, in consideration of the practice of agencies awarding work under such contracts that is arguably outside the intended scope of the contracts, both the GSA and the DoD have initiated programs aimed to ensure that all work fits properly within the scope of the contract under which it is awarded. The net effect of such programs may reduce the number of bidding opportunities available to us. Moreover, even if we are highly qualified to work on a particular new contract, we might not be awarded business because of the federal government's policy and practice of maintaining a diverse contracting base.

This competitive bidding process presents a number of risks, including the following:

we bid on programs before the completion of their design, which may result in unforeseen technological difficulties and cost overruns;

we expend substantial cost and managerial time and effort to prepare bids and proposals for contracts that we may not win;

we may be unable to estimate accurately the resources and cost structure that will be required to service any contract we win; and

we may encounter expense and delay if our competitors protest or challenge awards of contracts to us in competitive bidding, and any such protest or challenge could result in the resubmission of bids on modified specifications, or in the termination, reduction or modification of the awarded contract.

If we are unable to win particular contracts, we may be prevented from providing to clients services that are purchased under those contracts for a number of years. If we are unable to consistently win new contract awards over any extended period, our business and prospects will be adversely affected and that could cause our actual results to differ materially and adversely from those anticipated. In addition, upon the expiration of a contract, if the client requires further services of the type provided by the contract, there is frequently a competitive rebidding process. There can be no assurance that we will win any particular bid, or that we will be able to replace business lost upon expiration or completion of a contract, and the termination or non-renewal of any of our significant contracts could cause our actual results to differ materially and adversely from those anticipated.

Our business may suffer if we or our employees are unable to obtain the security clearances or other qualifications we and they need to perform services for our clients.

Many of our federal government contracts require us to have security clearances and employ personnel with specified levels of education, work experience and security clearances. Depending on the level of clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees lose or are unable to obtain necessary security clearances, we may not be able to win new business and our existing clients could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue anticipated from the contract which could cause our results to

differ materially and adversely from those anticipated.

Table of Contents

We must comply with a variety of laws and regulations, and our failure to comply could cause our actual results to differ materially from those anticipated.

We must observe laws and regulations relating to the formation, administration and performance of federal government contracts which affect how we do business with our clients and may impose added costs on our business. For example, the Federal Acquisition Regulation and the industrial security regulations of the DoD and related laws include provisions that:

allow our federal government clients to terminate or not renew our contracts if we come under foreign ownership, control or influence;

require us to divest work if an OCI related to such work cannot be mitigated to the government's satisfaction;

require us to disclose and certify cost and pricing data in connection with contract negotiations; and

require us to prevent unauthorized access to classified information.

Our failure to comply with these or other laws and regulations could result in contract termination, loss of security clearances, suspension or debarment from contracting with the federal government, civil fines and damages and criminal prosecution and penalties, any of which could cause our actual results to differ materially and adversely from those anticipated.

The federal government may change its procurement or other practices in a manner adverse to us.

The federal government may change its procurement practices, or adopt new contracting rules and regulations, such as those related to cost accounting standards. It could also adopt new contracting methods relating to GSA contracts or other government-wide contracts, adopt new socio-economic requirements, or change the basis upon which it reimburses our compensation and other expenses or otherwise limit such reimbursements. In all such cases, there is uncertainty surrounding the changes and what actual impacts they may have on contractors. These changes could impair our ability to obtain new contracts or win re-competed contracts or adversely affect our future profit margin. Any new contracting methods could be costly or administratively difficult for us to satisfy and, as a result, could cause actual results to differ materially and adversely from those anticipated.

Restrictions on or other changes to the federal government's use of service contracts may harm our operating results.

We derive a significant amount of revenue from service contracts with the federal government. The government may face restrictions from new legislation, regulations or government union pressures, on the nature and amount of services the government may obtain from private contractors (i.e., insourcing versus outsourcing). Any reduction in the government's use of private contractors to provide federal services could cause our actual results to differ materially and adversely from those anticipated.

Our contracts and administrative processes and systems are subject to audits and cost adjustments by the federal government, which could reduce our revenue, disrupt our business, or otherwise adversely affect our results of operations.

Federal government agencies, including the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA), routinely audit and investigate government contracts and government contractors' administrative processes and systems. These agencies review our performance on contracts, pricing practices, cost structure and compliance with applicable laws, regulations and standards. They also evaluate the adequacy of internal controls over our business systems, including our purchasing, accounting, estimating, earned value management, and government property systems. Any costs found to be improperly allocated to a

Table of Contents

specific contract will not be reimbursed, and any such costs already reimbursed must be refunded and certain penalties may be imposed. Moreover, if any of the administrative processes and systems are found not to comply with requirements, we may be subjected to increased government scrutiny and approval that could delay or otherwise adversely affect our ability to compete for or perform contracts or collect our revenue in a timely manner. Therefore, an unfavorable outcome of an audit by the DCAA or another government agency could cause actual results to differ materially and adversely from those anticipated. If a government investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or debarment from doing business with the federal government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Each of these results could cause actual results to differ materially and adversely from those anticipated. DCAA audits for costs incurred on work performed after June 30, 2007 have not yet been completed. In addition, DCAA audits for costs incurred by our recent acquisitions for certain periods prior to acquisition have not yet been completed. We do not know the outcome of any existing or future audits and if any future audit adjustments significantly exceed our estimates, our profitability could be adversely affected.

Failure to maintain strong relationships with other contractors could result in a decline in our revenue.

We derive substantial revenue from contracts in which we act as a subcontractor or from teaming arrangements in which we and other contractors bid on particular contracts or programs. As a subcontractor or teammate, we often lack control over fulfillment of a contract, and poor performance on the contract could impact our customer relationship, even when we perform as required. We expect to continue to depend on relationships with other contractors for a portion of our revenue in the foreseeable future. Moreover, our revenue and operating results could differ materially and adversely from those anticipated if any prime contractor or teammate chose to offer directly to the client services of the type that we provide or if they team with other companies to provide those services.

We may not receive the full amounts authorized under the contracts included in our backlog, which could reduce our revenue in future periods below the levels anticipated.

Our backlog consists of funded backlog, which is based on amounts actually committed by a client for payment for goods and services, and unfunded backlog, which is based upon management's estimate of the future potential of our existing contracts and task orders, including options, to generate revenue. Our backlog may not result in actual revenue in any particular period, or at all, which could cause our actual results to differ materially and adversely from those anticipated.

The maximum contract value specified under a government contract or task order awarded to us is not necessarily indicative of the revenue that we will realize under that contract. For example, we derive a substantial portion of our revenue from government contracts in which we are not the sole provider, meaning that the government could turn to other companies to fulfill the contract. We also derive revenue from IDIQ contracts, which do not require the government to purchase a pre-determined amount of goods or services under the contract. Action by the government to obtain support from other contractors or failure of the government to order the quantity of work anticipated could cause our actual results to differ materially and adversely from those anticipated.

Without additional Congressional appropriations, some of the contracts included in our backlog will remain unfunded, which could significantly harm our prospects.

Although many of our federal government contracts require performance over a period of years, Congress often appropriates funds for these contracts for only one year at a time. As a result, our contracts typically are only partially funded at any point during their term, and all or some

of the work intended to be performed under the contracts will remain unfunded pending subsequent Congressional appropriations and the obligation of

Table of Contents

additional funds to the contract by the procuring agency. Nevertheless, we estimate our share of the contract values, including values based on the assumed exercise of options relating to these contracts, in calculating the amount of our backlog. Because we may not receive the full amount we expect under a contract, our estimate of our backlog may be inaccurate and we may generate results that differ materially and adversely from those anticipated.

Employee misconduct, including security breaches, could result in the loss of clients and our suspension or debarment from contracting with the federal government.

We may be unable to prevent our employees from engaging in misconduct, fraud or other improper activities that could adversely affect our business and reputation. Misconduct could include the failure to comply with federal government procurement regulations, regulations regarding the protection of classified information and legislation regarding the pricing of labor and other costs in government contracts. Many of the systems we develop involve managing and protecting information involved in national security and other sensitive government functions. A security breach in one of these systems could prevent us from having access to such critically sensitive systems. Other examples of employee misconduct could include time card fraud and violations of the Anti-Kickback Act. The precautions we take to prevent and detect this activity may not be effective, and we could face unknown risks or losses. As a result of employee misconduct, we could face fines and penalties, loss of security clearance and suspension or debarment from contracting with the federal government, which could cause our actual results to differ materially and adversely from those anticipated.

Our failure to attract and retain qualified employees, including our senior management team, could adversely affect our business.

Our continued success depends to a substantial degree on our ability to recruit and retain the technically skilled personnel we need to serve our clients effectively. Our business involves the development of tailored solutions for our clients, a process that relies heavily upon the expertise and services of our employees. Accordingly, our employees are our most valuable resource. Competition for skilled personnel in the information technology services industry is intense, and technology service companies often experience high attrition among their skilled employees. There is a shortage of people capable of filling these positions and they are likely to remain a limited resource for the foreseeable future. Recruiting and training these personnel require substantial resources. Our failure to attract and retain technical personnel could increase our costs of performing our contractual obligations, reduce our ability to efficiently satisfy our clients' needs, limit our ability to win new business and cause our actual results to differ materially and adversely from those anticipated.

In addition to attracting and retaining qualified technical personnel, we believe that our success will depend on the continued employment of our senior management team and its ability to generate new business and execute projects successfully. Our senior management team is very important to our business because personal reputations and individual business relationships are a critical element of obtaining and maintaining client engagements in our industry, particularly with agencies performing classified operations. The loss of any of our senior executives could cause us to lose client relationships or new business opportunities, which could cause actual results to differ materially and adversely from those anticipated.

Our markets are highly competitive, and many of the companies we compete against have substantially greater resources.

The markets in which we operate include a large number of participants and are highly competitive. Many of our competitors may compete more effectively than we can because they are larger, better financed and better known companies than we are. In order to stay competitive in our industry, we must also keep pace with changing technologies and client preferences. If we are unable to differentiate our services from those of our competitors, our revenue may decline. In addition, our competitors have established relationships among themselves or with third parties to

increase their ability to address client needs. As a result, new competitors or

Table of Contents

alliances among competitors may emerge and compete more effectively than we can. There is also a significant industry trend towards consolidation, which may result in the emergence of companies which are better able to compete against us. The results of these competitive pressures could cause our actual results to differ materially and adversely from those anticipated.

Our quarterly revenue and operating results could be volatile due to the unpredictability of the federal government's budgeting process and policy priorities.

Our quarterly revenue and operating results may fluctuate significantly and unpredictably in the future. In particular, if the federal government does not adopt, or delays adoption of, a budget for each fiscal year beginning on October 1, or fails to pass a continuing resolution, federal agencies may be forced to suspend our contracts and delay the award of new and follow-on contracts and orders due to a lack of funding. Further, the rate at which the federal government procures technology may be negatively affected following changes in presidential administrations and senior government officials. Therefore, period-to-period comparisons of our operating results may not be a good indication of our future performance.

Our quarterly operating results may not meet the expectations of securities analysts or investors, which in turn may have an adverse effect on the market price of our common stock.

We may lose money or generate less than anticipated profits if we do not accurately estimate the cost of an engagement which is conducted on a fixed-price basis.

We perform a portion of our engagements on a variety of fixed-price contract vehicles. We derived 30.7 percent of our total revenue in FY2014 and 28.1 percent of our total revenue in FY2013 from fixed-price contracts. Fixed-price contracts require us to price our contracts by predicting our expenditures in advance. In addition, some of our engagements obligate us to provide ongoing maintenance and other supporting or ancillary services on a fixed-price basis or with limitations on our ability to increase prices. Many of our engagements are also on a T&M basis. While these types of contracts are generally subject to less uncertainty than fixed-price contracts, to the extent that our actual labor costs are higher than the contract rates, our actual results could differ materially and adversely from those anticipated.

When making proposals for engagements on a fixed-price basis, we rely on our estimates of costs and timing for completing the projects. These estimates reflect our best judgment regarding our capability to complete the task efficiently. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-price contracts, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable. From time to time, unexpected costs and unanticipated delays have caused us to incur losses on fixed-price contracts, primarily in connection with state government clients. On rare occasions, these losses have been significant. In the event that we encounter such problems in the future, our actual results could differ materially and adversely from those anticipated.

Our earnings and margins may vary based on the mix of our contracts and programs.

At June 30, 2014, our backlog included cost reimbursable, T&M and fixed-price contracts. Cost reimbursable and T&M contracts generally have lower profit margins than fixed-price contracts. Our earnings and margins may vary materially and adversely depending on the types of long-term government contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Table of Contents

Systems failures may disrupt our business and have an adverse effect on our results of operations.

Any systems failures, including network, software or hardware failures, whether caused by us, a third party service provider, unauthorized intruders and hackers, computer viruses, natural disasters, power shortages or terrorist attacks, could cause loss of data or interruptions or delays in our business or that of our clients. Like other global companies, we have experienced cyber security threats to our data and systems, our company sensitive information, and our information technology infrastructure, including malware and computer virus attacks, unauthorized access, systems failures and temporary disruptions. Prior cyber attacks directed at us have not had a material adverse impact on our business or our financial results, and we believe that our continuing commitment toward threat detection and mitigation processes and procedures will avoid such impact in the future. Due to the evolving nature of these security threats, however, the impact of any future incident cannot be predicted. In addition, the failure or disruption of our mail, communications or utilities could cause us to interrupt or suspend our operations or otherwise harm our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our actual results could differ materially and adversely from those anticipated.

The systems and networks that we maintain for our clients, although highly redundant in their design, could also fail. If a system or network we maintain were to fail or experience service interruptions, we might experience loss of revenue or face claims for damages or contract termination. Our errors and omissions liability insurance may be inadequate to compensate us for all the damages that we might incur and, as a result, our actual results could differ materially and adversely from those anticipated.

We may have difficulty identifying and executing acquisitions on favorable terms and therefore may grow at slower than anticipated rates.

One of our key growth strategies has been to selectively pursue acquisitions. Through acquisitions, we have expanded our base of federal government clients, increased the range of solutions we offer to our clients and deepened our penetration of existing markets and clients. We may encounter difficulty identifying and executing suitable acquisitions. To the extent that management is involved in identifying acquisition opportunities or integrating new acquisitions into our business, our management may be diverted from operating our core business. Without acquisitions, we may not grow as rapidly as the market expects, which could cause our actual results to differ materially and adversely from those anticipated. We may encounter other risks in executing our acquisition strategy, including:

increased competition for acquisitions may increase the costs of our acquisitions;

our failure to discover material liabilities during the due diligence process, including the failure of prior owners of any acquired businesses or their employees to comply with applicable laws or regulations, such as the Federal Acquisition Regulation and health, safety and environmental laws, or their failure to fulfill their contractual obligations to the federal government or other customers; and

acquisition financing may not be available on reasonable terms or at all.

Each of these types of risks could cause our actual results to differ materially and adversely from those anticipated.

We may have difficulty integrating the operations of any companies we acquire, which could cause actual results to differ materially and adversely from those anticipated.

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

The success of our acquisition strategy will depend upon our ability to continue to successfully integrate any businesses we may acquire in the future. The integration of these businesses into our operations may result in unforeseen operating difficulties, absorb significant management attention and require significant financial resources that would otherwise be available for the ongoing development of our business. These integration difficulties include the integration of personnel with disparate business backgrounds, the transition to new

Table of Contents

information systems, coordination of geographically dispersed organizations, loss of key employees of acquired companies, and reconciliation of different corporate cultures. For these or other reasons, we may be unable to retain key clients of acquired companies. Moreover, any acquired business may fail to generate the revenue or net income we expected or produce the efficiencies or cost-savings we anticipated. Any of these outcomes could cause our actual results to differ materially and adversely from those anticipated.

If our subcontractors fail to perform their contractual obligations, our performance as a prime contractor and our ability to obtain future business could be materially and adversely impacted and our actual results could differ materially and adversely from those anticipated.

Our performance of government contracts may involve the issuance of subcontracts to other companies upon which we rely to perform all or a portion of the work we are obligated to deliver to our clients. A failure by one or more of our subcontractors to satisfactorily deliver on a timely basis the agreed-upon supplies, perform the agreed-upon services, or appropriately manage their vendors may materially and adversely impact our ability to perform our obligations as a prime contractor.

A subcontractor's performance deficiency could result in the government terminating our contract for default. A default termination could expose us to liability for excess costs of reprocurement by the government and have a material adverse effect on our ability to compete for future contracts and task orders. Depending upon the level of problem experienced, such problems with subcontractors could cause our actual results to differ materially and adversely from those anticipated.

The federal government's appropriation process and other factors may delay the collection of our receivables, and our business may be adversely affected if we cannot collect our receivables in a timely manner.

We depend on the collection of our receivables to generate cash flow, provide working capital, pay debt and continue our business operations. If the federal government, any of our other clients or any prime contractor for whom we are a subcontractor fails to pay or delays the payment of their outstanding invoices for any reason, our business and financial condition may be materially and adversely affected. The government may fail to pay outstanding invoices for a number of reasons, including lack of appropriated funds or lack of an approved budget. In addition, the DCAA may revoke our direct billing privileges, which would adversely affect our ability to collect our receivables in a timely manner. Contracting officers have the authority to impose contractual withholdings, which can also adversely affect our ability to collect timely. The Defense Federal Acquisition Regulations require DoD contracting officers to impose contractual withholdings at no less than certain minimum levels if a contracting officer determines that one or more of a contractor's business systems have one or more significant deficiencies. Some prime contractors for whom we are a subcontractor have significantly less financial resources than we do, which may increase the risk that we may not be paid in full or payment may be delayed. If we experience difficulties collecting receivables, it could cause our actual results to differ materially and adversely from those anticipated.

We have substantial investments in recorded goodwill as a result of prior acquisitions, and changes in future business conditions could cause these investments to become impaired, requiring substantial write-downs that would reduce our operating income.

Goodwill accounts for \$2.2 billion of our recorded total assets. We evaluate the recoverability of recorded goodwill amounts annually or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. Principally, a decrease in expected reporting unit cash flows or changes in market conditions may indicate potential impairment of recorded goodwill. If there is an impairment, we would be required to write down the recorded amount of goodwill, which would be reflected as a charge against operating income.

Table of Contents

Our operations involve several risks and hazards, including potential dangers to our employees and to third parties that are inherent in aspects of our federal business (i.e., counterterrorism training services). If these risks and hazards are not adequately insured, it could adversely affect our operating results.

Our federal business includes the maintenance of global networks and the provision of special operations services (i.e., counterterrorism training) that require us to dispatch employees to various countries around the world. These countries may be experiencing political upheaval or unrest, and in some cases war or terrorism. It is possible that certain of our employees or executives will suffer injury or bodily harm, or be killed or kidnapped in the course of these deployments. We could also encounter unexpected costs for reasons beyond our control in connection with the repatriation of our employees or executives. Any of these types of accidents or other incidents could involve significant potential claims of employees, executives and/or third parties who are injured or killed or who may have wrongful death or similar claims against us.

We maintain insurance policies that mitigate against risk and potential liabilities related to our operations. This insurance is maintained in amounts that we believe are reasonable. However, our insurance coverage may not be adequate to cover those claims or liabilities, and we may be forced to bear significant costs from an accident or incident. Substantial claims in excess of our related insurance coverage could cause our actual results to differ materially and adversely from those anticipated.

Our failure to adequately protect our confidential information and proprietary rights may harm our competitive position.

Our success depends, in part, upon our ability to protect our proprietary information and other intellectual property. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter misappropriation of our confidential information. In addition, we may be unable to detect unauthorized use of our intellectual property in order to take appropriate steps to enforce our rights. If we are unable to prevent third parties from infringing or misappropriating our copyrights, trademarks or other proprietary information, our competitive position could be harmed and our actual results could differ materially and adversely from those anticipated.

We face additional risks which could harm our business because we have international operations.

We conduct the majority of our international operations in the United Kingdom and the Netherlands. Our international operations comprised 4.0 percent of our revenue in FY2014 and 3.7 percent of our revenue in FY2013. Our international operations are subject to risks associated with operating in a foreign country. These risks include fluctuations in the value of the British pound and the Euro, longer payment cycles, changes in foreign tax laws and regulations and unexpected legislative, regulatory, economic or political changes.

Approximately 74.5 percent of the revenue generated by our international operations are also subject to risks associated with operating a commercial as opposed to a government contracting business, including the effects of general economic conditions in Europe on the telecommunications, computer software and computer services sectors and the impact of more concentrated and intense competition for the reduced volume of work available in those sectors. We are marketing our services to clients in industries that are new to us and our efforts in that regard may be unsuccessful. Other factors that may adversely affect our international operations are difficulties relating to managing our business internationally, integrating recent acquisitions, multiple tax structures and adverse changes in foreign exchange rates. Any of these factors could cause our actual results to differ materially and adversely from those anticipated.

Table of Contents

Our senior secured credit facility (the Credit Facility) imposes certain restrictions on our ability to take certain actions which may have an impact on our business, operating results and financial condition.

The Credit Facility imposes certain operating and financial restrictions on us and requires us to meet certain financial tests. These restrictions may significantly limit or prohibit us from engaging in certain transactions, including the following:

incurring or guaranteeing certain amounts of additional debt;

paying dividends or other distributions to our stockholders or redeeming, repurchasing or retiring our capital stock in excess of specific limits;

making certain investments, loans and advances;

exceeding specific levels of liens on our assets;

issuing or selling equity in our subsidiaries;

transforming or selling certain assets currently held by us, including certain sale and lease-back transactions;

amending or modifying certain agreements, including those related to indebtedness; and

engaging in certain mergers, consolidations or acquisitions.

The failure to comply with any of these covenants would cause a default under the Credit Facility. A default, if not waived, could cause our debt to become immediately due and payable. In such situations, we may not be able to repay our debt or borrow sufficient funds to refinance it, and even if new financing is available, it may not contain terms that are acceptable to us.

Despite our outstanding debt, we may incur additional indebtedness.

The Credit Facility consists of an \$850.0 million revolving credit facility (the Revolving Facility) and an \$831.3 million term loan facility (the Term Loan). The Revolving Facility has subfacilities of \$50.0 million for same-day swing line loan borrowings and \$25.0 million for stand-by letters of credit. At any time and so long as no default has occurred, the Company has the right to increase the Revolving Facility or the Term Loan in an aggregate principal amount of up to the greater of \$400.0 million or an amount subject to 2.75 times senior secured leverage, calculated assuming the revolving Facility is fully drawn, with applicable lender approvals. At June 30, 2014, \$475.0 million was outstanding under the revolving credit facility and \$810.5 million was outstanding under the term loan. In addition, the terms of the Credit Facility allow us to incur additional indebtedness from other sources so long as we satisfy the covenants in the agreement governing the Credit Facility. If new debt is added to our current debt levels, the risks related to our ability to service that debt could increase.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

The Credit Facility matures on November 15, 2018. Principal payments under the term loan are due in quarterly installments. Our business may not generate cash flow from operations sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive.

A change in control or fundamental change may adversely affect us.

The Credit Facility provides that certain change in control events with respect to us will constitute a default.

Table of Contents

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of June 30, 2014, we leased office space at 111 U.S. locations containing an aggregate of approximately 2.4 million square feet located in 23 states and the District of Columbia. In four countries outside the U.S., we leased office space at 12 locations containing an aggregate of approximately 64,000 square feet. Our leases expire primarily within the next five years, with the exception of nine leases in the Washington, DC metropolitan area and four leases outside of the metro area, which will expire within the next five to 10 years. We anticipate that most of these leases will be renewed or replaced by other leases. All of our offices are in reasonably modern and well-maintained buildings. The facilities are substantially utilized and adequate for present operations.

We maintain our corporate headquarters in approximately 99,000 square feet of space at 1100 North Glebe Road, Arlington, Virginia. See Note 14, Leases, in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K for additional information regarding our lease commitments.

Item 3. Legal Proceedings

Al Shimari, et al. v. L-3 Services, Inc. et al.

On June 30, 2008, Plaintiff Al Shimari filed a twenty-count complaint in the United States District Court for the Southern District of Ohio. Plaintiff Al Shimari is an Iraqi who claimed that he suffered significant physical injury and emotional distress while held at Abu Ghraib prison in Iraq. The lawsuit named CACI International Inc, CACI Premier Technology, Inc. and former CACI employee Timothy Dugan as Defendants, along with L-3 Services, Inc. The complaint alleged that the Defendants conspired with U.S. military personnel to engage in illegal treatment of Iraqi detainees. The complaint did not allege any interaction between Plaintiff Al Shimari and any CACI employee. Plaintiff Al Shimari sought, inter alia, compensatory damages, punitive damages, and attorney's fees. On August 8, 2008, the court granted CACI's motion to transfer the action to the United States District Court for the Eastern District of Virginia. Thereafter, an amended complaint was filed adding three plaintiffs. On September 12, 2008, Mr. Dugan was dismissed from the case without prejudice. On October 2, 2008, CACI filed a motion to dismiss the case. CACI also moved to stay discovery pending further proceedings. The court granted CACI's motion to stay discovery. On March 18, 2009, the court granted in part and denied in part CACI's motion to dismiss. On March 23, 2009, CACI filed a notice of appeal with respect to the March 18, 2009 decision. Plaintiffs filed a motion to strike CACI's notice of appeal and a motion to lift the stay on discovery. The United States District Court for the Eastern District of Virginia denied both motions. On April 27, 2009, Plaintiffs filed a motion to dismiss the appeal in the United States Court of Appeals for the Fourth Circuit. The United States Court of Appeals for the Fourth Circuit deferred any ruling on Plaintiffs motion and issued a briefing schedule. Plaintiffs filed a notice of cross-appeal, which CACI moved to dismiss. The Court of Appeals dismissed the Plaintiffs' cross-appeal. On October 26, 2010, the United States Court of Appeals for the Fourth Circuit heard oral argument in the appeal and took the matter under advisement. On September 21, 2011, the United States Court of Appeals for the Fourth Circuit reversed the decision of the United States District Court for the Eastern District of Virginia and remanded the action with instructions to dismiss the action. On October 5, 2011, Plaintiffs filed a petition for a rehearing en banc, which the Court of Appeals granted. The Court of Appeals also invited the United States to participate in the en banc rehearing of the appeal as amicus curiae. The United States participated in that capacity in the en banc rehearing. On January 27, 2012, the Court of Appeals, sitting en banc, heard oral argument. On May 11, 2012, the Court of Appeals, in an 11-3 decision, held that it lacked jurisdiction over the appeal and dismissed the appeal. The action returned to the district court for further proceedings.

On October 12, 2012, the district court conducted a status conference at which the court asked the parties to prepare and submit a plan for discovery in the action. The parties subsequently filed a joint discovery plan, which

Table of Contents

the court approved. The Court also lifted the stay of discovery, and reinstated the claims arising under the Alien Tort Statute (ATS) that the Court had previously dismissed. On December 26, 2012, Plaintiffs filed a Second Amended Complaint. Defendants moved to dismiss several counts of the Second Amended Complaint. On March 8, 2013, the Court dismissed the conspiracy claims in the Second Amended Complaint, and dismissed CACI International Inc from the action. Subsequently, the Court allowed Plaintiffs to file a Third Amended Complaint for the purpose of repleading the conspiracy claims. On March 28, 2013, Plaintiffs filed a Third Amended Complaint, and on April 15, 2013, Defendant CACI Premier Technology, Inc. moved to dismiss the conspiracy claims in the Third Amended Complaint.

On March 19, 2013, the Court granted a motion for reconsideration filed by Defendants with respect to the statute of limitations applicable to the common law tort claims of three of the four Plaintiffs, and dismissed those claims. Defendant CACI Premier Technology, Inc. also filed a motion for sanctions with respect to the failure of three of the four Plaintiffs to appear for depositions and medical examinations as ordered by the court. On April 12, 2013, the Court denied that motion but entered an order requiring the three Plaintiffs to appear for depositions and medical examinations no later than April 26, 2013 and stating that if the three Plaintiffs did not comply with the order their claims were subject to dismissal. Plaintiffs did not appear for depositions in the United States as of April 26, 2013. Defendant CACI Premier Technology, Inc. then renewed its motion for sanctions, seeking dismissal, for the three Plaintiffs' violation of the Court order to appear for depositions and medical examinations. Defendant CACI Premier Technology, Inc. also filed a motion to dismiss the ATS claims of all four Plaintiffs for lack of jurisdiction in light of the U.S. Supreme Court's April 17, 2013 decision in *Kiobel v. Royal Dutch Petroleum*, and a motion to dismiss the common law claims of the single Plaintiff with those claims on various grounds.

On June 26, 2013, the Court issued a Memorandum Opinion and Order granting Defendant CACI Premier Technology, Inc.'s motions with respect to Plaintiffs' ATS claims and Plaintiffs' common law claims, and dismissing the Third Amended Complaint without prejudice. The Court also denied all other pending motions, including Defendant CACI Premier Technology, Inc.'s motions for sanctions and to dismiss the conspiracy claims, as moot.

On July 24, 2013, Plaintiffs filed a Notice of Appeal of the district court's June 26 decision.

On March 18, 2014, a three judge panel of the United States Court of Appeals for the Fourth Circuit held a hearing on Plaintiffs' appeal and took the matters under advisement. On June 30, 2014, the three judge panel vacated the district court's June 26, 2013 Order and remanded Plaintiffs' claims for further proceeding.

Abbass, et al v. CACI Premier Technology, Inc. and CACI International Inc, Case No. 1:13CV1186-LMB/JFA (EDVA)

On September 20, 2013, fifty-five Plaintiffs filed a nine-count complaint in the United States District Court for the Eastern District of Virginia styled *Abbass, et al. v. CACI Premier Technology, Inc., et al.* Plaintiffs are Iraqi nationals who assert that their allegations are essentially the same as those of the plaintiffs in *Al Shimari*. Plaintiffs claim that they suffered significant physical injury and emotional distress while in U.S. custody in Iraq. The lawsuit names CACI International Inc and CACI Premier Technology, Inc. as Defendants. The complaint alleges that Defendants conspired with U.S. military personnel to engage in illegal treatment of Iraqi detainees. The complaint does not allege any interaction between Plaintiffs and any CACI employee. Plaintiffs' claims are brought pursuant to the Alien Tort Statute and the Torture Victims Protection Act. Plaintiffs seek, inter alia, compensatory damages, punitive damages, and attorney's fees.

Plaintiffs' action was originally filed in 2009 in U.S. District Court for the District of Columbia, but was voluntarily dismissed without prejudice in September 2011 after the Supreme Court denied *certiorari* in *Saleh v. Titan Corp.* and *Ibrahim v. Titan Corp.*, 580 F.3d 1 (D.C. Cir. 2009).

Table of Contents

The CACI Defendants have moved to dismiss the complaint. Before deciding the motion to dismiss, the district court stayed the action pending a decision from the Court of Appeals in *Al Shimari v. L-3 Services, Inc.*

We are vigorously defending the above-described legal proceedings, and, based on our present knowledge of the facts, believe the lawsuits are completely without merit.

Item 4. Mine Safety Disclosures

Not Applicable.

Table of Contents**PART II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is listed on the New York Stock Exchange under the ticker symbol "CACI".

The ranges of high and low sales prices of our common stock quoted on the New York Stock Exchange for each quarter during the fiscal years ended June 30, 2014 and 2013 were as follows:

Quarter	2014		2013	
	High	Low	High	Low
1 st	\$ 70.00	\$ 60.52	\$ 57.97	\$ 50.79
2 nd	\$ 74.27	\$ 66.09	\$ 57.07	\$ 48.56
3 rd	\$ 80.77	\$ 70.01	\$ 58.49	\$ 49.98
4 th	\$ 74.89	\$ 67.01	\$ 65.52	\$ 54.05

We have never paid a cash dividend. Our present policy is to retain earnings to provide funds for the operation and expansion of our business. We do not intend to pay any cash dividends at this time. The Board of Directors will determine whether to pay dividends in the future based on conditions then existing, including our earnings, financial condition and capital requirements, as well as economic and other conditions as the board may deem relevant.

As of August 21, 2014, the number of stockholders of record of our common stock was approximately 285. The number of stockholders of record is not representative of the number of beneficial stockholders due to the fact that many shares are held by depositories, brokers, or nominees.

The following table provides certain information with respect to our purchases of shares of CACI International Inc's common stock during the three months ended June 30, 2014:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 2014	12,063	\$ 70.36	991,197	258,803
May 2014				
June 2014				
Total	12,063	\$ 70.36	991,197	

Table of Contents

The following graph compares the cumulative 5-year total return to shareholders on CACI International Inc's common stock relative to the cumulative total returns of the Russell 1000 index and the Dow Jones U.S. Computer Services Total Stock Market index. The graph assumes that the value of the investment in our common stock and in each of the indexes (including reinvestment of dividends) was \$100 on June 30, 2009 and tracks it through June 30, 2014.

Comparison of Five Year Cumulative Total Returns

Performance Graph for

CACI International Inc

	June 30,					
	2009	2010	2011	2012	2013	2014
CACI International Inc	100.00	99.46	147.69	128.82	148.65	164.39
Russell 1000	100.00	115.20	151.98	158.63	192.33	241.10
Dow Jones U.S. Computer Services Total Stock Market	100.00	122.83	172.18	192.86	193.97	203.60

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Table of Contents**Item 6. Selected Financial Data**

The selected financial data set forth below is derived from our audited financial statements for each of the fiscal years in the five year period ended June 30, 2014. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto, included in Part II in this Annual Report on Form 10-K.

Income Statement Data

	2014	2013	Years ended June 30,		
			2012	2011	2010
	(amounts in thousands, except per share data)				
Revenue	\$ 3,564,562	\$ 3,681,990	\$ 3,774,473	\$ 3,577,780	\$ 3,149,131
Costs of revenue	3,307,159	3,411,149	3,474,624	3,326,379	2,954,349
Net income attributable to CACI	135,316	151,689	167,454	144,218	106,515
Earnings per common share and common share equivalent:					
Basic:					
Weighted-average shares outstanding	23,429	23,010	27,077	30,281	30,138
Earnings per share	\$ 5.78	\$ 6.59	\$ 6.18	\$ 4.76	\$ 3.53
Diluted:					
Weighted-average shares and equivalent shares outstanding	25,155	23,885	28,111	31,300	30,676
Earnings per share	\$ 5.38	\$ 6.35	\$ 5.96	\$ 4.61	\$ 3.47

Balance Sheet Data

	2014	2013	As of June 30,		
			2012	2011	2010
	(amounts in thousands)				
Total assets	\$ 3,359,138	\$ 2,497,071	\$ 2,388,222	\$ 2,320,131	\$ 2,244,766
Long-term liabilities	1,577,385	547,005	738,848	573,294	413,188
Working capital	313,262	(18,713)(1)	200,863	344,857	182,323
Shareholders' equity	1,359,166	1,207,572	1,164,445	1,309,616	1,173,155

(1) Reflects the classification of the Notes, which were due May 1, 2014, as a current liability as of June 30, 2013.

Item 7. Management's Discussion and Analysis of Financial Condition & Results of Operations

The following discussion and analysis of our financial condition and results of operations is provided to enhance the understanding of, and should be read together with, our consolidated financial statements and the notes to those statements that appear elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Unless otherwise specifically noted, all years refer to our fiscal year which ends on June 30.

Overview

We are a leading provider of information solutions and services to the U.S. government. We derived 94.0 percent of our revenue during the year ended June 30, 2014 from contracts with U.S. government agencies, including 72.3 percent from DoD customers and 21.7 percent from U.S. federal civilian agency customers

Table of Contents

including the Department of Homeland Security. We also provide services to state and local governments, commercial customers and agencies of foreign governments.

Budgetary pressures and sequestration have created a challenging environment for us and other companies in our industry. For further information on the trends currently impacting us, please see Item 1, Business *Industry Trends*.

For the year ended June 30, 2014, 89.5 percent of our revenue was from contracts where we were the lead, or prime, contractor. Our contract base has approximately 580 active contracts and 1,507 active task orders. We have a diverse mix of contract types, with 49.0 percent, 30.7 percent, and 20.3 percent of our revenue for the year ended June 30, 2014, derived from cost-reimbursable, fixed-price and time and materials (T&M) contracts, respectively.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires us to make estimates and judgments that affect the amounts reported in those financial statements and accompanying notes. We consider the accounting policies and estimates addressed below to be the most important to our financial position and results of operations, either because of the significance of the financial statement item or because they require the exercise of significant judgment and/or use of significant estimates. Although we believe that the estimates we use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates.

Revenue Recognition/Contract Accounting

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable, and collectability is probable.

We generate almost all of our revenue from three different types of contractual arrangements: cost-plus-fee, T&M, and fixed-price contracts. Revenue on cost-plus-fee contracts is recognized to the extent of allowable costs incurred plus an estimate of the applicable fees earned. We consider fixed fees under cost-plus-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract. For cost-plus-fee contracts that include performance based fee incentives, and that are subject to the provisions of Accounting Standards Codification (ASC) Section 605-35, *Revenue Recognition - Construction-Type and Production-Type Contracts* (ASC 605-35), we recognize the relevant portion of the expected fee to be awarded by the customer at the time such fee can be reasonably estimated, based on factors such as our prior award experience and communications with the customer regarding performance. For such cost-plus-fee contracts subject to the provisions of ASC 605-10-S99, *Revenue Recognition - SEC Materials* (ASC 605-10-S99), we recognize the relevant portion of the fee upon customer approval. Revenue on T&M contracts is recognized to the extent of billable rates times hours delivered for services provided, to the extent of material cost for products delivered to customers, and to the extent of expenses incurred on behalf of the customers. Shipping and handling fees charged to the customers are recognized as revenue at the time products are delivered to the customers.

We have several basic categories of fixed price contracts: fixed unit price, fixed price-level of effort, and fixed price-completion. Revenue on fixed unit price contracts, where specified units of output under service arrangements are delivered, is recognized as units are delivered based on the specified price per unit. Revenue on fixed unit price maintenance contracts is recognized ratably over the length of the service period.

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

Revenue for fixed price-level of effort contracts is recognized based upon the number of units of labor actually delivered multiplied by the agreed rate for each unit of labor.

A significant portion of our fixed price-completion contracts involve the design and development of complex client systems. For these contracts that are within the scope of ASC 605-35, revenue is recognized on the percentage of completion method using costs incurred in relation to total estimated costs. For fixed price-completion contracts that are not within the scope of ASC 605-35, revenue is generally recognized over the period when services are provided.

Table of Contents

Contract accounting requires judgment relative to assessing risks, estimating contract revenue and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenue and cost at completion is complicated and subject to many variables. Contract costs include material, labor, subcontracting costs, and other direct costs, as well as an allocation of allowable indirect costs. Assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. For contract change orders, claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. Incentives or penalties related to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information for us to assess anticipated performance. Estimates of award fees for certain contracts may also be a factor in estimating revenue and profit rates based on actual and anticipated awards.

Long-term development and production contracts make up a large portion of our business, and therefore the amounts we record in our financial statements using contract accounting methods are material. For our federal contracts, we follow U.S. government procurement and accounting standards in assessing the allowability and the allocability of costs to contracts. Due to the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. We closely monitor compliance with, and the consistent application of, our critical accounting policies related to contract accounting. Business operations personnel conduct periodic contract status and performance reviews. When adjustments in estimated contract revenue or costs are required, any significant changes from prior estimates are included in earnings in the current period. Also, regular and recurring evaluations of contract cost, scheduling and technical matters are performed by management personnel who are independent from the business operations personnel performing work under the contract. Costs incurred and allocated to contracts with the U.S. government are scrutinized for compliance with regulatory standards by our personnel, and are subject to audit by the DCAA.

From time to time, we may proceed with work based on client direction prior to the completion and signing of formal contract documents. We have a formal review process for approving any such work. Revenue associated with such work is recognized only when it can be reliably estimated and realization is probable. We base our estimates on previous experiences with the client, communications with the client regarding funding status, and our knowledge of available funding for the contract or program.

Costs of Revenue

Costs of revenue include all direct contract costs as well as indirect overhead costs and selling, general and administrative expenses that are allowable and allocable to contracts under federal procurement standards. Costs of revenue also include costs and expenses that are unallowable under applicable procurement standards, and thus are not allocable to contracts for billing purposes. Such costs and expenses do not directly generate revenue, but are necessary for business operations.

Accounting for Business Combinations, Goodwill and Acquired Intangible Assets

The purchase price of an acquired business is allocated to the tangible assets and separately identifiable intangible assets acquired less liabilities assumed based upon their respective fair values, with the excess recorded as goodwill.

We evaluate goodwill at least annually for impairment, or whenever events or circumstances indicate that the carrying value may not be recoverable. The evaluation includes comparing the fair value of the relevant reporting unit to the carrying value, including goodwill, of such unit. The level at which we test goodwill for impairment requires us to determine whether the operations below our operating segments constitute a self-sustaining business for which discrete financial information is available and segment management regularly

Table of Contents

reviews the operating results. If the fair value exceeds the carrying value, no impairment loss is recognized. However, if the carrying value of the reporting unit exceeds its fair value, the goodwill of the reporting unit may be impaired. Impairment is measured by comparing the derived fair value of the goodwill to its carrying value. Separately identifiable intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment if impairment indicators are present.

We estimate the fair value of our reporting units using both an income approach and a market approach. The valuation process considers our estimates of the future operating performance of each reporting unit. Companies in similar industries are researched and analyzed and we consider the domestic and international economic and financial market conditions, both in general and specific to the industry in which we operate, prevailing as of the valuation date. The income approach utilizes discounted cash flows.

We evaluate goodwill as of the first day of the fourth quarter. In addition, we will perform interim impairment testing should circumstances requiring it arise. We completed our annual goodwill assessment as of April 1, 2014 and no impairment charge was necessary as a result of this assessment. We have concluded that none of our reporting units are at risk of a goodwill impairment in the near term as their fair values are considerably greater than their carrying values.

Determining the fair values of the reporting units inherently involves management judgments regarding assumptions about future sales, profits and cash flows and the effect of the market conditions on those assumptions. Due to the variables inherent in the estimation of a reporting unit's fair value and the relative size of our goodwill, differences in assumptions could have a material effect on one or more of our reporting units and could result in a goodwill impairment charge in a future period.

Stock-Based Compensation

Under our 2006 Stock Incentive Plan, we issue equity instruments on an annual basis to our directors and key employees. These instruments may take the form of, among others, shares of restricted stock, restricted stock units (RSUs), stock settled stock appreciation rights (SSARs) and non-qualified stock options (NQSOs). We also issue equity instruments in the form of RSUs under our Management Stock Purchase Plan and Director Stock Purchase Plan.

We account for share-based payments to employees, including grants of employee stock awards and purchases under employee stock purchase plans, in accordance with ASC 718, *Compensation - Stock Compensation*, which requires that share-based payments (to the extent they are compensatory) be recognized in our consolidated statements of operations based on their fair values. We determine the fair value of our NQSOs and SSARs at the date of grant using option-pricing models such as the Black-Scholes or binomial lattice model. We determine the fair value of our market-based and performance-based RSUs at the date of grant using generally accepted valuation techniques and the closing market price of our stock. Stock-based compensation cost is recognized as expense over the requisite service period.

Under the terms of the various equity instrument agreements, vesting of awards may accelerate to varying degrees based on the age of the grantee and the type of equity instrument. Depending on the instrument, vesting may accelerate upon retirement at either age 62 or 65 with the amount of acceleration based on the length of service provided.

Table of Contents**Results of Operations**

The following table sets forth the relative percentages that certain items of expense and earnings bear to revenue.

Consolidated Statements of Operations

Years ended June 30,

	2014	2013 Dollars	2012	2014			Year to Year Change 2013 to 2014		2012 to 2013	
				2014	2013	2012	Dollars	Percent	Dollars	Percent
	(dollar amounts in thousands)									
Revenue	\$ 3,564,562	\$ 3,681,990	\$ 3,774,473	100.0%	100.0%	100.0%	\$ (117,428)	(3.2)%	\$ (92,483)	(2.5)%
Costs of revenue										
Direct costs	2,426,520	2,535,606	2,598,890	68.1	68.8	68.9	(109,086)	(4.3)	(63,284)	(2.4)
Indirect costs and selling expenses	815,458	821,465	819,772	22.9	22.3	21.7	(6,007)	(0.7)	1,693	0.2
Depreciation and amortization	65,181	54,078	55,962	1.8	1.5	1.5	11,103	20.5	(1,884)	(3.4)
Total costs of revenue	3,307,159	3,411,149	3,474,624	92.8	92.6	92.1	(103,990)	(3.0)	(63,475)	(1.8)
Income from operations	257,403	270,841	299,849	7.2	7.4	7.9	(13,438)	(5.0)	(29,008)	(9.7)
Interest expense and other, net	38,158	25,818	24,101	1.1	0.7	0.6	12,340	47.8	1,717	7.1
Income before income taxes	219,245	245,023	275,748	6.1	6.7	7.3	(25,778)	(10.5)	(30,725)	(11.1)
Income taxes	83,326	92,347	107,537	2.3	2.6	2.9	(9,021)	(9.8)	(15,190)	(14.1)
Net income including portion attributable to noncontrolling interest in earnings of joint venture	135,919	152,676	168,211	3.8	4.1	4.4	(16,757)	(11.0)	(15,535)	(9.2)
Noncontrolling interest in earnings of joint venture	(603)	(987)	(757)	(0.0)	(0.0)	(0.0)	384	38.9	(230)	30.4
Net income attributable to CACI	\$ 135,316	\$ 151,689	\$ 167,454	3.8%	4.1%	4.4%	\$ (16,373)	(10.8)%	\$ (15,765)	(9.4)%

Revenue

For FY2014, our total revenue decreased from FY2013 by \$117.4 million, or 3.2 percent, primarily related to a decrease in revenue from DoD. Six3 Systems, acquired November 15, 2013, generated \$268.4 million of revenue from its date of acquisition through June 30, 2014. Excluding the Six3 Systems revenue, revenue decreased by 10.5 percent year over year. This decrease in revenue was primarily attributable to delays in planned awards, lower run rates on professional services contracts, reductions in Afghanistan-related material purchases, and the government shutdown which occurred between October 1 and October 16, 2013.

For FY2013, our total revenue decreased by \$92.5 million, or 2.5 percent. Our revenue from existing operations decreased 5.7 percent, or \$216.8 million, primarily related to a decrease in revenue from DoD. This decrease was partially offset by \$124.3 million of revenue associated with acquired businesses.

Table of Contents

The following table summarizes revenue earned by each of the customer groups for the three most recent fiscal years:

	2014		Years ended June 30, 2013		2012	
	(dollar amounts in thousands)					
Department of Defense	\$ 2,578,024	72.3%	\$ 2,735,102	74.3%	\$ 2,944,924	78.0%
Federal civilian agencies	771,662	21.7	741,053	20.1	620,870	16.5
Commercial and other	199,521	5.6	190,142	5.2	193,840	5.1
State and local governments	15,355	0.4	15,693	0.4	14,839	0.4
Total	\$ 3,564,562	100.0%	\$ 3,681,990	100.0%	\$ 3,774,473	100.0%

Revenue from DoD customers decreased 5.7 percent, or \$157.1 million, to \$2.6 billion for FY2014 as compared to FY2013. This decrease was attributable primarily to lower other direct costs (ODCs) as a result of both the draw down in Afghanistan and sequestration-related reductions, the government shut down which occurred between October 1 and October 16, 2013 and resulted in a reduction of approximately \$13.0 million of revenue. DoD revenue includes services provided to the U.S. Army, our largest customer, where our services focus on supporting readiness, tactical military intelligence, and communications systems. DoD revenue also includes work with the U.S. Navy, and other DoD agencies.

Revenue from DoD customers decreased 7.1 percent, or \$209.8 million, to \$2.7 billion for FY2013 as compared to FY2012. This decrease was attributable primarily to lower other direct costs (ODCs) as a result of both the draw down in Afghanistan and sequestration-related reductions.

Revenue from federal civilian agencies increased 4.1 percent, or \$30.6 million, to \$771.7 million during FY2014 as compared to FY2013. This increase is attributable to recent acquisitions as well as growth in certain on-going federal civilian agency programs. Federal civilian agency revenue also includes services provided to non-DoD national intelligence agencies.

Revenue from federal civilian agencies increased 19.4 percent, or \$120.2 million, to \$741.1 million during FY2013 as compared to FY2012. Of the federal civilian agency revenue growth, \$96.6 million was attributable to acquisitions.

Commercial and other revenue increased 4.9 percent, or \$9.4 million, to \$199.5 million in FY2014 as compared to FY2013. Commercial revenue is derived from both international and domestic operations. In FY2014, international operations accounted for 71.7 percent, or \$143.0 million, of the total commercial revenue, while domestic operations accounted for 28.3 percent, or \$56.5 million.

Commercial and other revenue decreased 1.9 percent, or \$3.7 million, to \$190.1 million in FY2013 as compared to FY2012. During FY2012, we had a commercial product sale that generated \$12.0 million in revenue. In FY2013, international operations accounted for 70.8 percent, or \$134.5 million, of the total commercial revenue, while domestic operations accounted for 29.2 percent, or \$55.6 million.

Revenue from state and local governments decreased by 2.2 percent, or \$0.3 million during FY2014, as compared to FY2013. In FY2013 as compared to FY2012, revenue from state and local governments increased by 5.8 percent, or \$0.9 million. Revenue from state and local governments represented less than one percent of our total revenue in each of FY2014, FY2013, and FY2012.

Table of Contents***Income from Operations***

Income from operations decreased 5.0 percent or \$13.4 million, in FY2014 as compared to FY2013. Our operating margin was 7.2 percent, down from 7.4 percent during the same period a year ago. This decrease in margin is primarily attributable to acquisition-related costs and the amortization of intangibles acquired in the Six3 Systems acquisition plus one-time expenses associated with the acquisition of Six3 Systems. Income from operations decreased 9.7 percent, or \$29.0 million, in FY2013 as compared to FY2012. Our operating margin in FY2013 of 7.4 percent decreased from 7.9 percent in FY2012. Operating margin during FY2012 was favorably impacted by greater than expected profitability on a large fixed price contract.

During the fiscal years ended June 30, 2014, 2013, and 2012, as a percentage of revenue, total direct costs were 68.1 percent, 68.8 percent, and 68.9 percent, respectively. Direct costs include direct labor and ODCs, which include, among other costs, subcontracted labor and materials along with equipment purchases and travel expenses. ODCs, which are common in our industry, typically are incurred in response to specific client tasks and may vary from period to period.

The single largest component of direct costs, direct labor, was \$1.0 billion, \$1.0 billion and \$977.7 million in FY2014, FY2013, and FY2012, respectively. ODCs were \$1.4 billion, \$1.5 billion, and \$1.6 billion in FY2014, FY2013, and FY2012, respectively. This decrease from FY2013 to FY2014 was primarily driven by the October 2013 government shutdown and reductions in ODCs in Afghanistan related material purchases and subcontract labor.

Indirect costs and selling expenses which include fringe benefits (attributable to both direct and indirect labor), marketing and bid and proposal costs, indirect labor and other discretionary expenses, decreased \$6.0 million or 0.7 percent in FY2014 as compared to FY2013. The decrease is primarily attributable to cost reduction activities that were implemented in the second half of FY2013 and during FY2014. As a percentage of revenue indirect costs and selling expenses were 22.9 percent, 22.3 percent and 21.7 percent for FY2014, FY2013 and FY2012, respectively. Indirect cost and selling expenses in FY2014 included \$11.7 million of expenses associated with the acquisition of Six3 Systems including \$4.2 million of expenses associated with retention bonuses that are part of the agreements we have with certain Six3 Systems executives. In addition, indirect costs for FY2014 included \$4.1 million loss on extinguishment of indebtedness.

Indirect costs and selling expenses increased \$1.7 million or 0.2 percent in FY2013 as compared to FY2012. As a percentage of revenue indirect costs and selling expenses were 22.3 percent and 21.7 percent for FY2013 and FY2012, respectively. In addition to an increase in fringe benefit expense associated with our increase in direct labor, indirect costs and selling expenses were increased by \$7.1 million of severance expense and \$2.3 million of lease-related expenses associated with cost reduction activities. These actions resulted from a strategic review of our business in response to sequestration and other government actions which negatively impacted our operations. Bonus expense recorded in FY2013, which in large part is based on the Company's performance, was \$34.3 million lower than bonus expense recorded in FY2012.

Depreciation and amortization expense increased \$11.1 million, or 20.5 percent, in FY2014 as compared to FY2013. The increase was primarily attributable to amortization of intangible assets associated with the Six3 Systems acquisition. In FY2013 as compared to FY2012, depreciation and amortization expense decreased \$1.9 million, or 3.4 percent. The decrease was attributable to decreased amortization of intangible assets offset by increases in depreciation and leasehold improvement amortization expense.

Net interest expense and other increased \$12.3 million, or 47.8 percent, in FY2014 as compared to FY2013. This increase was primarily attributable to the additional indebtedness incurred in connection with the Six3 Systems acquisition. Net interest expense and other increased \$1.7 million, or 7.1 percent, in FY2013 as compared to FY2012 primarily as a result of an increase in interest expense related to higher

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

outstanding debt. Interest expense and other includes a reduction for our share of the net income of AC First, LLC, a venture between us and AECOM Government Services, Inc. of \$1.5 million in FY2014 and \$2.6 million in FY2013.

Table of Contents

The effective income tax rates in FY2014, FY2013, and FY2012, were 38.1 percent, 37.8 percent, and 39.1 percent, respectively. The tax rate in each year benefitted from tax benefits related to deductions claimed for income from qualified domestic production activities and non-taxable gains on assets invested in corporate-owned life insurance (COLI) policies.

Quarterly Financial Information

Quarterly financial data for the two most recent fiscal years is provided in Note 25, Quarterly Financial Data, in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Effects of Inflation

During FY2014, 49.0 percent of our business was conducted under cost-reimbursable contracts which automatically adjust revenue to cover costs that are affected by inflation. 20.3 percent of our revenue was earned under T&M contracts, where labor rates for many of the services provided are often fixed for several years. Under certain T&M contracts containing IDIQ procurement arrangements, we do adjust labor rates annually as permitted. The remaining portion of our business is fixed-price and may span multiple years. We generally have been able to price our T&M and fixed-price contracts in a manner that accommodates the rates of inflation experienced in recent years.

Liquidity and Capital Resources

Historically, our positive cash flow from operations and our available credit facilities have provided adequate liquidity and working capital to fund our operational needs. Cash flows from operations totaled \$198.6 million, \$249.3 million and \$271.2 million for the years ended June 30, 2014, 2013 and 2012, respectively.

The Credit Facility is a \$1,681.3 million credit facility, which includes a \$850.0 million revolving credit facility (the Revolving Facility), and a \$831.3 million term loan (the Term Loan). The Revolving Facility has subfacilities of \$50.0 million for same-day swing line borrowings and \$25.0 million for stand-by letters of credit. At June 30, 2014, \$810.5 million was outstanding under the Term Loan, \$475.0 million was outstanding under the Revolving Facility, we had no borrowings on the swing line and a \$0.4 million letter of credit was outstanding. As of June 30, 2014, the Credit Facility had an accordion feature that would allow the facility to be expanded in an aggregate amount of up to the sum of \$400.0 million plus an amount such that the Consolidated Senior Secured Leverage Ratio would not be greater than 2.75:1.0.

The Term Loan is a five-year secured facility under which principal payments are due in quarterly installments of \$10.4 million through December 31, 2016 and \$20.8 million thereafter through September 30, 2018, with the balance due in full on November 15, 2018.

The interest rates applicable to loans under the Credit Facility are floating interest rates that, at our option, equal a base rate or a Eurodollar rate plus, in each case, an applicable margin based upon our consolidated total leverage ratio.

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

The Credit Facility requires us to comply with certain financial covenants, including a maximum senior secured leverage ratio, a maximum total leverage ratio and a minimum fixed charge coverage ratio. The Credit Facility also includes customary negative covenants restricting or limiting our ability to guarantee or incur additional indebtedness, grant liens or other security interests to third parties, make loans or investments, transfer assets, declare dividends or redeem or repurchase capital stock or make other distributions, prepay subordinated indebtedness and engage in mergers, acquisitions or other business combinations, in each case except as expressly permitted under the Credit Facility. Since the inception of the Credit Facility, we have been in compliance with all of the financial covenants. A majority of our assets serve as collateral under the Credit Facility.

Table of Contents

Cash and cash equivalents were \$64.5 million and \$64.3 million as of June 30, 2014 and 2013, respectively. Our operating cash flow was \$198.6 million for FY2014, compared to \$249.3 million for the same period a year ago. Days-sales outstanding were 59 and 58 at June 30, 2014 and 2013, respectively.

We used \$851.7 million and \$127.4 million of cash in investing activities during FY2014 and FY2013, respectively. During the twelve months ended June 30, 2014 we paid \$839.1 million for business acquisitions, as compared to \$107.0 million during the same period a year ago. Purchases of office and computer related equipment of \$15.3 million and \$15.4 million in FY2014 and FY2013, respectively, accounted for a majority of the remaining funds used in investing activities. Generally, we have relatively low capital expenditure requirements for our business, and expect these expenditures in the coming years to remain consistent with the levels reported in FY2014.

Cash flows provided by financing activities were \$651.5 million during FY2014 while cash used in financing activities was \$73.0 million during FY2013. During the year ended June 30, 2014, we had net borrowings of \$660.9 million under our Credit Facility. During FY2014 our net borrowings were primarily used to finance the Six3 Systems acquisition. During FY2013 we had net borrowings of \$46.9 million. Those borrowings along with our available cash balance and our operating cash flow funded our repurchase of 2.3 million shares of company stock for \$127.5 million and the acquisitions made during FY2013. During the year ended June 30, 2013 we paid \$3.2 million in settlement of contingent consideration for acquisitions completed during the year ended June 30, 2011 as compared to \$3.3 million of contingent consideration associated with prior year acquisitions paid during the year ended June 30, 2014. Cash flows from financing activities benefited from proceeds received from the exercise of stock options and purchases of stock under the CACI International Inc Employee Stock Purchase Plan (ESPP). Proceeds from these activities totaled \$3.5 million and \$17.6 million during FY2014 and FY2013, respectively.

We believe that the combination of internally generated funds, available bank borrowings, and cash and cash equivalents on hand will provide the required liquidity and capital resources necessary to fund on-going operations, customary capital expenditures, debt service obligations, and other working capital requirements over the next twelve months. On May 1, 2014, we paid off the \$300.0 million convertible notes with cash on hand and the revolving debt facility. Over the longer term, our ability to generate sufficient cash flows from operations necessary to fulfill the obligations under the Credit Facility will depend on our future financial performance which will be affected by many factors outside of our control, including current worldwide economic conditions.

Off-Balance Sheet Arrangements and Contractual Obligations

We use off-balance sheet arrangements to finance the lease of operating facilities. We have financed the use of all of our current office and warehouse facilities through operating leases. Operating leases are also used to finance the use of computers, servers, phone systems, and to a lesser extent, other fixed assets, such as furnishings, that are obtained in connection with business acquisitions. We generally assume the lease rights and obligations of companies acquired in business combinations and continue financing equipment under operating leases until the end of the lease term following the acquisition date. We generally do not finance capital expenditures with operating leases, but instead finance such purchases with available cash balances. For additional information regarding our operating lease commitments, see Note 14 in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K. The Credit Facility provides for stand-by letters of credit aggregating up to \$25.0 million that reduce the funds available under the Revolving Facility when issued. As of June 30, 2014, we had an outstanding letter of credit of \$0.4 million. We have no other material off-balance sheet financing arrangements.

Table of Contents

The following table summarizes our contractual obligations as of June 30, 2014 that require us to make future cash payments:

	Total	Payments Due By Period			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
(amounts in thousands)					
Contractual obligations(1):					
Bank credit facility-term loan(2)	\$ 810,469	\$ 41,563	\$ 103,906	\$ 665,000	\$
Interest Payments(5)	91,814	23,365	43,993	24,456	
Bank credit facility-revolver loan(2)	475,000			475,000	
Operating leases(3)	241,373	49,065	85,192	55,002	52,114
Other long-term liabilities reflected on our balance sheet under generally accepted accounting principles (GAAP)					
Deferred compensation(4)	84,363	6,906	8,895	6,042	62,520
Total	\$ 1,703,019	\$ 120,899	\$ 241,986	\$ 1,225,500	\$ 114,634

- (1) The liability related to unrecognized tax benefits has been excluded from the contractual obligations table because a reasonable estimate of the timing and amount of cash out flows from future tax settlements cannot be determined. See Note 19 in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K for additional information regarding taxes and related matters.
- (2) See Note 13 to our consolidated financial statements for additional information regarding debt and related matters.
- (3) See Note 14 to our consolidated financial statements for additional information regarding operating lease commitments.
- (4) This liability is substantially offset by investments held by the plan provider to fund the payment of the liability to the plan participant. See Note 20 to our consolidated financial statements.
- (5) Interest payments are estimated through the maturity date of the Term Loan. Variable rate interest obligations are estimated based on rates as of June 30, 2014. Interest payments under the Revolving Facility have been excluded because a reasonable estimate of the timing and amount of cash out flows cannot be determined.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The interest rates on both the Term Loan and the Revolving Facility are affected by changes in market interest rates. We have the ability to manage these fluctuations in part through interest rate hedging alternatives in the form of interest rate swaps. We have entered into floating-to-fixed interest rate swap agreements for an aggregate notional amount of \$400 million related to a portion of our floating rate indebtedness. All remaining balances under our Term Loan, and any additional amounts that may be borrowed under our Revolving Facility, are currently subject to interest rate fluctuations. With every one percent fluctuation in the applicable interest rates, interest expense on our variable rate debt for the twelve months ended June 30, 2014 would have fluctuated by approximately \$7.5 million.

Approximately 4.0 percent and 3.7 percent of our total revenue in FY2014 and FY2013, respectively, was derived from our international operations headquartered in the U.K. Our practice in our international operations is to negotiate contracts in the same currency in which the predominant expenses are incurred, thereby mitigating the exposure to foreign currency exchange fluctuations. It is not possible to accomplish this in all cases; thus, there is some risk that profits will be affected by foreign currency exchange fluctuations. As of June 30, 2014, we held a combination of euros and pounds sterling in the U.K. and in the Netherlands equivalent to approximately

Table of Contents

\$16.4 million. Although these balances are generally available to fund ordinary business operations without legal or other restrictions, a significant portion is not immediately available to fund U.S. operations unless repatriated. Our intention is to reinvest earnings from our foreign subsidiaries. This allows us to better utilize our cash resources on behalf of our foreign subsidiaries, thereby mitigating foreign currency conversion risks.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements of CACI International Inc and subsidiaries are provided in Part IV in this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

We had no disagreements with our independent registered public accounting firm on accounting principles, practices or financial statement disclosure during and through the date of the consolidated financial statements included in this report.

Item 9A. Controls and Procedures

A. Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in the Exchange Act Ruling 13a-15(e) and 15d-15(e), that are designed to ensure that information required to be disclosed in our periodic filings with the Securities and Exchange Commission (SEC) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of internal controls, and fraud. Due to such inherent limitations, there can be only reasonable, and not absolute, assurance that any system of disclosure controls and procedures will be successful in detecting or preventing all errors or fraud, or in making all material information known in a timely manner to the appropriate levels of management.

We performed an evaluation of the effectiveness of our disclosure controls and procedures under the supervision of the CEO and CFO, as of June 30, 2014. Based on the evaluation procedures, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2014.

B. Internal Control Over Financial Reporting

The management of CACI International Inc is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), and for its assessment of the effectiveness of internal control over financial reporting.

We maintain internal controls over financial reporting that are designed to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements. CACI International Inc's internal control over financial reporting includes those policies and procedures that 1) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles; 2) ensure the maintenance of records that accurately and fairly reflect our transactions; 3) ensure that our receipts, expenditures and asset dispositions are made in accordance with director and management authorizations; and 4) provide reasonable assurance that our assets are properly safeguarded.

Table of Contents

With the participation of our CEO and CFO, we performed an evaluation of the effectiveness of the internal control over financial reporting to comply with the rules on internal control over financial reporting issued pursuant to the Sarbanes-Oxley Act of 2002. In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework (1992 Framework)*. Based on the evaluation procedures, our management, including the CEO and CFO, concluded that, as of June 30, 2014, our internal control over financial reporting was effective based on those criteria. In addition, our independent registered public accounting firm evaluated the effectiveness of our internal control over financial reporting. Management's report on the effectiveness of internal control over financial reporting, and the independent auditors' report on internal control over financial reporting, are included in Part IV of this report.

On November 15, 2013, the Company completed the acquisition of Six3 Systems Holdings II, Inc. (Six3 Systems). Six3 Systems represents approximately 4.3% of total assets as of June 30, 2014, 7.5% and 6.6% of revenues and net income, respectively, for the year then ended. As permitted by the SEC, management excluded the acquired company from its assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2014.

C. Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, an evaluation was also performed of any changes in our internal control procedures over financial reporting that occurred during our last fiscal quarter. Based on this evaluation, management determined there were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART III

The Information required by Items 10, 11, 12, 13 and 14 of Part III of Form 10-K has been omitted in reliance on General Instruction G(3) and is incorporated herein by reference to our proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, as set forth below:

Item 10. Officers, Directors and Executive Officers of the Registrant

Except for the specific disclosures below, the information required by this Item 10 is included under the headings *Executive Officers* and *Corporate Governance* in our 2014 Proxy Statement for the annual meeting to be held with respect to the fiscal year ended June 30, 2014 (2014 Proxy Statement) and is incorporated by reference.

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. That code, our Standards of Ethics and Business Conduct, is posted in the *Investors* section of our website at www.caci.com and a printed copy of such code will be furnished free of charge to any shareholder who requests a copy.

We intend to disclose any amendment to the Standards of Ethics and Business Conduct that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, and any waiver from a provision of the Standards of Ethics and Business Conduct granted to any director, principal executive officer, principal financial officer, principal accounting officer, or any other executive officer of the Company, in the *Investors* section of our website at www.caci.com within four business days following the date of such amendment or waiver.

Corporate Governance Guidelines

We have adopted a set of corporate governance guidelines in accordance with the requirements of Section 303A of the New York Stock Exchange Listed Company Manual. Those guidelines can be found posted on our website at www.caci.com and a printed copy will be furnished free of charge to any shareholder who requests a copy.

Item 11. Executive Compensation

The information required by this Item 11 is included in the text and tables under the headings *Compensation Discussion and Analysis* and *Executive Compensation* in our 2014 Proxy Statement and is incorporated by reference.

Item 12. Security Ownership Of Certain Beneficial Owners And Management

The information required by this Item 12 is included under the headings Security Ownership of Directors, Executive Officers, Certain Beneficial Owners and Management and Equity Compensation Plan Information in our 2014 Proxy Statement and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions

The information required by this Item 13 is included under the headings Corporate Governance , Compensation Discussion and Analysis and Executive Compensation in our 2014 Proxy Statement and is incorporated by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 is included under the heading Independent Auditor Fees in our 2014 Proxy Statement and is incorporated by reference.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Report

1. Financial Statements

- A. Report of Management on Internal Control Over Financial Reporting
- B. Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting
- C. Report of Independent Registered Public Accounting Firm
- D. Consolidated Statements of Operations for the fiscal years ended June 30, 2014, 2013 and 2012
- E. Consolidated Statements of Comprehensive Income for the fiscal years ended June 30, 2014, 2013 and 2012
- F. Consolidated Balance Sheets as of June 30, 2014 and 2013
- G. Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2014, 2013 and 2012
- H. Consolidated Statements of Shareholders' Equity for the fiscal years ended June 30, 2014, 2013 and 2012
- I. Notes to Consolidated Financial Statements

2. Supplementary Financial Data

Schedule II Valuation and Qualifying Accounts for the fiscal years ended June 30, 2014, 2013 and 2012

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(b) Exhibits

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

Exhibit No.	Description	Filed with this		Incorporated by Reference	
		Form 10-K	Form	Filing Date	Exhibit No.
3.1	Certificate of Incorporation of CACI International Inc, as amended to date.		10-K	September 13, 2006	3.1
3.2	Amended and Restated By-laws of CACI International Inc, amended as of March 20, 2014.		8-K	March 25, 2014	3.1
4.1	Letter Agreement re Warrants dated as of May 10, 2007, by and between CACI International Inc and Morgan Stanley & Co. International plc, as amended May 11, 2007.		8-K	May 16, 2007	4.4
4.2	Letter Agreement re Warrants dated as of May 10, 2007, by and between CACI International Inc and J.P. Morgan Chase Bank, National Association, as amended May 11, 2007		8-K	May 16, 2007	4.6

Table of Contents

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
4.3	Letter Agreement re Warrants dated as of May 10, 2007, by and between CACI International Inc and Bank of America, N.A., as amended May 11, 2007.		8-K	May 16, 2007	4.8
10.1	The 1996 Stock Incentive Plan of CACI International Inc.*		S-8	February 15, 2005	4.3
10.2	Form of Stock Option Agreement between CACI International Inc and certain employees.*		10-K	September 27, 2002	10.10
10.3	Form of Performance Accelerated Stock Option Agreement between CACI International Inc and certain employees.*		10-K	September 27, 2002	10.11
10.4	The 2002 Employee Stock Purchase Plan of CACI International Inc, as amended.*		Def 14A	October 7, 2013	Appendix A
10.5	Amended and Restated Management Stock Purchase Plan of CACI International Inc.*		10-K	August 27, 2008	10.5
10.6	Amended and Restated Employment Agreement dated July 1, 2007 between J.P. London and CACI International Inc.*		10-K	August 29, 2007	10.21
10.7	Severance Compensation Agreement dated October 1, 2007 between Thomas A. Mutryn and CACI International Inc.*		S-1/A	October 9, 2007	10.25
10.8	Severance Compensation Agreement dated June 16, 2008 between Gregory R. Bradford and CACI International Inc.*		10-K	August 27, 2008	10.23
10.9	CACI International Inc 2006 Stock Incentive Plan, as amended and restated.*		Def 14A	October 6, 2011	Appendix A
10.10	Form of Performance Restricted Stock Unit Grant Agreement for Grantees Who are Grandfathered Executives.*		S-8	February 4, 2009	10.2
10.11	Form of Performance Restricted Stock Unit Grant Agreement for Grantees who are Not Eligible for Grandfathered Retirement.*		S-8	February 4, 2009	10.3

Table of Contents

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
10.12	Form of Restricted Stock Unit Grant Agreement for Grantees Who are Grandfathered Executives.*		S-8	February 4, 2009	10.4
10.13	Form of Restricted Stock Unit Grant Agreement for Grantees Who are Not Eligible for Grandfathered Retirement.*		S-8	February 4, 2009	10.5
10.14	Form of Stock-Settled Stock Appreciation Rights Grant Agreement.*		S-8	February 4, 2009	10.6
10.15	Form of Non-Employee Director Restricted Stock Unit Grant Agreement.*		S-8	February 4, 2009	10.7
10.16	Amendment to the CACI International Inc Management Stock Purchase Plan dated June 23, 2010.*		10-K	August 25, 2010	10.34
10.17	Credit Agreement by and among CACI International Inc as borrower; Bank of America, N.A. as administrative agent, swing line lender and L/C issuer; JP Morgan Chase Bank, N.A., as syndication agent; and each of the lenders named therein.		10-Q	November 4, 2010	10.1
10.18	Form of Performance Restricted Stock Unit Grant Agreement between CACI International Inc and certain employees.*		10-Q	February 4, 2011	10.2
10.19	Form of Non-Employee Director Restricted Stock Unit Grant Agreement.*		10-Q	February 4, 2011	10.3
10.20	Form of Restricted Stock Unit Grant Agreement for Grantees enrolled in the Management Stock Purchase Plan of CACI International Inc.*		10-Q	February 4, 2011	10.4
10.21	Form of CACI International Inc 2006 Stock Incentive Plan Restricted Stock Unit (RSU) Grant Agreement.*		10-Q	May 6, 2011	10.1

Table of Contents

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
10.22	Amendment dated May 17, 2011 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	May 17, 2011	10.2
10.23	Form of Non-Employee Director Restricted Stock Unit Grant Agreement.*		10-K	August 29, 2011	10.30
10.24	Amendment dated November 18, 2011 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	November 22, 2011	10.3
10.25	Form of Restricted Stock Unit (RSU) Agreement under CACI International Inc Management Stock Purchase Plan.*		S-8	February 6, 2012	10.13
10.26	Form of Performance RSU Grant Agreement under CACI International Inc 2006 Stock Incentive Plan.*		S-8	February 6, 2012	10.14
10.27	Form of Stock Grant Agreement under CACI International Inc Director Stock Purchase Plan.*		S-8	February 6, 2012	10.15
10.28	Amended and Restated Director Stock Purchase Plan of CACI International Inc.*		10-Q	May 4, 2012	10.1
10.29	Severance Compensation Agreement dated July 1, 2012 between John S. Mengucci and CACI International Inc.*		10-K	August 28, 2012	10.38
10.30	Lender Joinder and Increase Agreement dated as of October 26, 2012 between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	October 31, 2012	10.4
10.31	Amendment dated August 6, 2013 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	August 12, 2013	10.4

Table of Contents

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
10.32	Employment Agreement dated February 20, 2013 between Kenneth Asbury and CACI International Inc*		10-K	August 27, 2013	10.40
10.33	Agreement and Plan of Merger by and among Six3 Systems Holdings, LLC, as Stockholder Representative, Six3 Systems Holdings II, Inc., CACI International Inc, CACI, Inc.-FEDERAL, and CACI Acquisition II, Inc., dated October 8, 2013.		10-Q	November 1, 2013	10.1
10.34	Amendment dated October 31, 2013 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	November 5, 2013	10.5
10.35	Amendment dated November 15, 2013 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	November 18, 2013	10.6
21.1	Significant Subsidiaries of the Registrant.	X			
23.1	Consent of Independent Registered Public Accounting Firm.	X			
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities and Exchange Commission.	X			
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities and Exchange Commission.	X			
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.	X			
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.	X			
99.1	Certification of Chief Executive Officer pursuant to Regulation 303A.12(b) of the New York Stock Exchange.	X			

Table of Contents

Exhibit No.	Description	Filed with this Form 10-K	Form	Incorporated by Reference	
				Filing Date	Exhibit No.
101	The following materials from the CACI International Inc Annual Report on Form 10-K for the year ended June 30, 2014 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Statements of Operations for the years ended June 30, 2014, 2013 and 2012, (ii) Consolidated Statements of Comprehensive Income for the years ended June 30, 2014, 2013 and 2012, (iii) Consolidated Balance Sheets as of June 30, 2014 and 2013, (iv) Consolidated Statements of Cash Flows for the years ended June 30, 2014, 2013 and 2012, (v) Consolidated Statements of Shareholders Equity for the years ended June 30, 2014, 2013 and 2012, and (vi) Notes to Consolidated Financial Statements.**				

* Denotes a management contract, compensatory plan, or arrangement.

** Submitted electronically herewith.

Table of Contents

Report of Management on Internal Control Over Financial Reporting

August 28, 2014

To the Stockholders

CACI International Inc

The management of CACI International Inc is responsible for establishing and maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. Management maintains a comprehensive system of internal controls intended to ensure that transactions are executed in accordance with management's authorization, that assets are safeguarded, and that financial records are reliable. CACI International Inc's internal control system is designed to provide reasonable assurance to Company management and its Board of Directors regarding the preparation and fair presentation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Due to inherent limitations, internal control systems can provide only reasonable assurance with respect to financial statement preparation and presentation, and may not prevent or detect financial statement misstatements. Also, projections of any evaluation of internal control effectiveness to future periods are subject to the risk that existing controls may become inadequate because of changing conditions, or that the degree of compliance with existing policies and procedures may deteriorate.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of CACI International Inc's internal control over financial reporting based on the framework and criteria established in *Internal Control-Integrated Framework (1992 Framework)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management has concluded that CACI International Inc's internal control over financial reporting was effective as of June 30, 2014.

On November 15, 2013, the Company completed the acquisition of Six3 Systems Holdings II, Inc. (Six3 Systems). Six3 Systems represents approximately 4.3% of total assets as of June 30, 2014, 7.5% and 6.6% of revenues and net income, respectively, for the year then ended. Management excluded the acquired company from its assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2014.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Company's consolidated financial statements included herein and has reported on the Company's internal control over financial reporting as of June 30, 2014.

/s/ KENNETH ASBURY
Kenneth Asbury
President and
Chief Executive Officer and Director

/s/ THOMAS A. MUTRYN
Thomas A. Mutryn
Executive Vice President and
Chief Financial Officer

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

CACI International Inc

We have audited CACI International Inc's internal control over financial reporting as of June 30, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). CACI International Inc's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Report of Management on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Six3 Systems Holdings II, Inc., which is included in the 2014 consolidated financial statements of CACI International Inc and constituted 4.3% and 0.5% of total and net assets, respectively, as of June 30, 2014 and 7.5% and 6.6% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of CACI International Inc also did not include an evaluation of the internal control over financial reporting of Six3 Systems Holdings II, Inc.

In our opinion, CACI International Inc maintained, in all material respects, effective internal control over financial reporting as of June 30, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CACI International Inc as of June 30, 2014 and 2013, and the

Table of Contents

related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2014 of CACI International Inc, and our report dated August 28, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

McLean, Virginia

August 28, 2014

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

CACI International Inc

We have audited the accompanying consolidated balance sheets of CACI International Inc as of June 30, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CACI International Inc at June 30, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CACI International Inc's internal control over financial reporting as of June 30, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated August 28, 2014, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

McLean, Virginia

August 28, 2014

Table of Contents**CACI INTERNATIONAL INC****CONSOLIDATED STATEMENTS OF OPERATIONS****(amounts in thousands, except per share data)**

	Fiscal year ended June 30,		
	2014	2013	2012
Revenue	\$ 3,564,562	\$ 3,681,990	\$ 3,774,473
Costs of revenue:			
Direct costs	2,426,520	2,535,606	2,598,890
Indirect costs and selling expenses	815,458	821,465	819,772
Depreciation and amortization	65,181	54,078	55,962
Total costs of revenue	3,307,159	3,411,149	3,474,624
Income from operations	257,403	270,841	299,849
Interest expense and other, net	38,158	25,818	24,101
Income before income taxes	219,245	245,023	275,748
Income taxes	83,326	92,347	107,537
Net income including portion attributable to noncontrolling interest in earnings of joint venture	135,919	152,676	168,211
Noncontrolling interest in earnings of joint venture	(603)	(987)	(757)
Net income attributable to CACI	\$ 135,316	\$ 151,689	\$ 167,454
Basic earnings per share	\$ 5.78	\$ 6.59	\$ 6.18
Diluted earnings per share	\$ 5.38	\$ 6.35	\$ 5.96
Weighted-average basic shares outstanding	23,429	23,010	27,077
Weighted-average diluted shares outstanding	25,155	23,885	28,111

See Notes to Consolidated Financial Statements.

Table of Contents**CACI INTERNATIONAL INC****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(amounts in thousands)**

	Fiscal year ended June 30,		
	2014	2013	2012
Net income including portion attributable to noncontrolling interest in earnings of joint venture	\$ 135,919	\$ 152,676	\$ 168,211
Foreign currency translation adjustment	13,333	(2,567)	(3,105)
Effects of post-retirement adjustments	(257)	324	(282)
Change in fair value of interest rate swap agreements, net	(3,643)	262	(1,332)
Comprehensive income including portion attributable to noncontrolling interest in earnings of joint venture	145,352	150,695	163,492
Noncontrolling interest in earnings of joint venture	(603)	(987)	(757)
Comprehensive income attributable to CACI	\$ 144,749	\$ 149,708	\$ 162,735

See Notes to Consolidated Financial Statements.

Table of Contents**CACI INTERNATIONAL INC****CONSOLIDATED BALANCE SHEETS**

(amounts in thousands, except per share data)

	2014	June 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,461	\$ 64,337
Accounts receivable, net	615,580	614,616
Deferred income taxes	22,694	18,953
Prepaid expenses and other current assets	33,114	25,875
Total current assets	735,849	723,781
Goodwill	2,188,569	1,476,965
Intangible assets, net	230,410	104,188
Property and equipment, net	68,485	65,510
Supplemental retirement savings plan assets	88,465	83,419
Accounts receivable, long-term	8,714	11,330
Other long-term assets	38,646	31,878
Total assets	\$ 3,359,138	\$ 2,497,071
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 41,563	\$ 295,517
Accounts payable	55,811	133,073
Accrued compensation and benefits	183,361	166,538
Other accrued expenses and current liabilities	141,852	147,366
Total current liabilities	422,587	742,494
Long-term debt, net of current portion	1,238,728	300,790
Supplemental retirement savings plan obligations, net of current portion	77,457	74,757
Deferred income taxes	197,847	119,885
Other long-term liabilities	63,353	51,573
Total liabilities	1,999,972	1,289,499
Commitments and contingencies		
Shareholders' equity:		
Preferred stock \$0.10 par value, 10,000 shares authorized, no shares issued		
Common stock \$0.10 par value, 80,000 shares authorized; 41,441 issued and 23,500 outstanding at June 30, 2014 and 41,172 issued and 23,222 outstanding at June 30, 2013	4,144	4,117
Additional paid-in capital	537,334	530,154
Retained earnings	1,392,954	1,257,638
Accumulated other comprehensive loss	(382)	(9,815)
Treasury stock, at cost (17,941 and 17,950 shares, respectively)	(577,167)	(577,191)
Total CACI shareholders' equity	1,356,883	1,204,903
Noncontrolling interest in joint venture	2,283	2,669

Total shareholders' equity	1,359,166	1,207,572
Total liabilities and shareholders' equity	\$ 3,359,138	\$ 2,497,071

See Notes to Consolidated Financial Statements.

Table of Contents**CACI INTERNATIONAL INC****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(amounts in thousands)

	Fiscal year ended June 30,		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income including portion attributable to noncontrolling interest in earnings of joint venture	\$ 135,919	\$ 152,676	\$ 168,211
Reconciliation of net income including portion attributable to noncontrolling interest to net cash provided by operating activities:			
Depreciation and amortization	65,181	54,078	55,962
Non-cash interest expense	11,421	12,868	12,024
Amortization of deferred financing costs	2,940	2,073	2,237
Loss on extinguishment of debt	4,116		
Stock-based compensation expense	11,557	8,832	15,499
Deferred income tax expense	15,559	31,102	10,653
Distribution of earnings from unconsolidated joint ventures	2,169	5,627	
Equity in earnings of unconsolidated joint ventures	(1,656)	(2,620)	(1,728)
Other			1,322
Changes in operating assets and liabilities, net of effect of business acquisitions:			
Accounts receivable, net	91,010	32,265	(33,919)
Prepaid expenses and other assets	(6,835)	(11,739)	(11,064)
Accounts payable and other accrued expenses	(119,997)	(5,750)	41,879
Accrued compensation and benefits	(20,416)	(23,744)	3
Income taxes payable and receivable	6,710	(17,188)	930
Deferred rent	(1,151)	(2,861)	(2,878)
Supplemental retirement savings plan obligations and other long-term liabilities	2,116	13,712	12,092
Net cash provided by operating activities	198,643	249,331	271,223
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(15,279)	(15,439)	(18,284)
Cash paid for business acquisitions, net of cash acquired	(839,050)	(107,021)	(185,926)
Net investments in unconsolidated joint ventures	3,550	(838)	
Other	(876)	(4,119)	(158)
Net cash used in investing activities	(851,655)	(127,417)	(204,368)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings under bank credit facilities, net of financing costs	1,577,000	838,000	1,095,000
Principal payments made under bank credit facilities	(902,781)	(790,500)	(977,500)
Payment of financing costs under bank credit facilities	(13,369)	(612)	(1,249)
Payment of contingent consideration	(3,294)	(3,187)	(21,611)
Proceeds from employee stock purchase plans	3,527	4,505	4,095
Proceeds from exercise of stock options		13,050	7,466
Repurchases of common stock	(3,653)	(127,529)	(316,563)
Payment of taxes for equity transactions	(9,764)	(7,605)	(4,535)
Other	3,836	853	(584)

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

Net cash provided by (used in) financing activities	651,502	(73,025)	(215,481)
Effect of exchange rate changes on cash and cash equivalents	1,634	(292)	(451)
Net increase (decrease) in cash and cash equivalents	124	48,597	(149,077)
Cash and cash equivalents, beginning of year	64,337	15,740	164,817
Cash and cash equivalents, end of year	\$ 64,461	\$ 64,337	\$ 15,740
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for income taxes, net of refunds	\$ 52,268	\$ 76,573	\$ 94,994
Cash paid for interest	\$ 23,877	\$ 13,429	\$ 12,447
Non-cash financing and investing activities:			
Landlord-financed leasehold improvements	\$ 2,190	\$ 3,030	\$ 5,010

See Notes to Consolidated Financial Statements.

Table of Contents**CACI INTERNATIONAL INC****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(amounts in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Treasury Stock		Total CACI Shareholders Equity	Noncontrolling Interest in Joint Venture	Total Shareholders Equity
	Shares	Amount	Shares	Amount			Shares	Amount					
BALANCE, June 30, 2011		\$	40,273	\$ 4,027	\$ 504,156	\$ 938,495	\$ (3,115)	10,077	\$ (136,631)	\$ 1,306,932	\$ 2,684	\$ 1,309,616	
Net income attributable to CACI						167,454				167,454		167,454	
Noncontrolling interest in earnings of joint venture											757	757	
Stock-based compensation expense					15,499					15,499		15,499	
Exercise of stock options and vesting of restricted stock units			353	35	1,170					1,205		1,205	
Currency translation adjustment							(3,105)			(3,105)		(3,105)	
Change in fair value of interest rate swap agreements, net							(1,332)			(1,332)		(1,332)	
Repurchases of common stock								6,000	(328,890)	(328,890)		(328,890)	
Treasury stock issued under stock purchase plans					4,296			(89)	218	4,514		4,514	
Post-retirement benefit costs							(282)			(282)		(282)	
Net distributions to noncontrolling interest											(991)	(991)	
BALANCE, June 30, 2012			40,626	4,062	525,121	1,105,949	(7,834)	15,988	(465,303)	1,161,995	2,450	1,164,445	
Net income attributable to CACI						151,689				151,689		151,689	
Noncontrolling interest in earnings of joint venture											987	987	
Stock-based compensation expense					8,832					8,832		8,832	
Exercise of stock options and vesting of restricted stock units			546	55	(5,191)					(5,136)		(5,136)	
Change in fair value of interest rate swap agreements, net							262			262		262	
							(2,567)			(2,567)		(2,567)	

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

Currency translation adjustment										
Repurchases of common stock						2,059	(115,201)	(115,201)		(115,201)
Treasury stock issued under stock purchase plans			1,392			(97)	3,313	4,705		4,705
Post-retirement benefit costs					324			324		324
Net distributions to noncontrolling interest									(768)	(768)
BALANCE, June 30, 2013	41,172	4,117	530,154	1,257,638	(9,815)	17,950	(577,191)	1,204,903	2,669	1,207,572
Net income attributable to CACI				135,316				135,316		135,316
Noncontrolling interest in earnings of joint venture									603	603
Stock-based compensation expense			11,557					11,557		11,557
Exercise of stock options and vesting of restricted stock units	269	27	(4,414)					(4,387)		(4,387)
Change in fair value of interest rate swap agreements, net					(3,643)			(3,643)		(3,643)
Currency translation adjustment					13,333			13,333		13,333
Acquisition of common stock from call option			106,799			1,431	(106,799)			
Treasury stock issued for conversion of the Notes			(106,799)			(1,431)	106,799			
Repurchases of common stock						53	(3,495)	(3,495)		(3,495)
Treasury stock issued under stock purchase plans			37			(62)	3,519	3,556		3,556
Post-retirement benefit costs					(257)			(257)		(257)
Distributions to noncontrolling interest									(989)	(989)
BALANCE, June 30, 2014	\$ 41,441	\$ 4,144	\$ 537,334	\$ 1,392,954	\$ (382)	17,941	\$ (577,167)	\$ 1,356,883	\$ 2,283	\$ 1,359,166

See Notes to Consolidated Financial Statements.

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Business Activities

CACI International Inc, along with its wholly-owned subsidiaries and joint ventures that are more than 50 percent owned or otherwise controlled by it (collectively, the Company), is an international information solutions and services provider to its clients, primarily the U.S. government. Other customers include state and local governments, commercial enterprises and agencies of foreign governments.

The Company's operations are subject to certain risks and uncertainties including, among others, the dependence on contracts with federal government agencies, dependence on revenue derived from contracts awarded through competitive bidding, existence of contracts with fixed pricing, dependence on subcontractors to fulfill contractual obligations, dependence on key management personnel, ability to attract and retain qualified employees, ability to successfully integrate acquired companies, and current and potential competitors with greater resources.

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and include the assets, liabilities, results of operations and cash flows for the Company, including its subsidiaries and joint ventures that are more than 50 percent owned or otherwise controlled by the Company. All intercompany balances and transactions have been eliminated in consolidation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable, and collectability is probable.

The Company generates almost all of its revenue from three different types of contractual arrangements: cost-plus-fee, time and material (T&M), and fixed price contracts. Revenue on cost-plus-fee contracts is recognized to the extent of costs incurred plus an estimate of the

applicable fees earned. The Company considers fixed fees under cost-plus-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract. For cost-plus-fee contracts that include performance based fee incentives, and that are subject to the provisions of Accounting Standards Codification (ASC) 605-35, *Revenue Recognition - Construction-Type and Production-Type Contracts* (ASC 605-35), the Company recognizes the relevant portion of the expected fee to be awarded by the customer at the time such fee can be reasonably estimated, based on factors such as the Company's prior award experience and communications with the customer regarding performance. For such cost-plus-fee contracts subject to the provisions of ASC 605-10-S99, *Revenue Recognition - SEC Materials* (ASC 605-10-S99), the Company recognizes the relevant portion of the fee upon customer approval. Revenue on T&M contracts is recognized to the extent of billable rates times hours delivered for services provided, to the extent of material cost for products delivered to customers, and to the extent of expenses incurred on behalf of the customers. Shipping and handling fees charged to the customers are recognized as revenue at the time products are delivered to the customers.

The Company has several categories of fixed price contracts: fixed unit price, fixed price-level of effort, and fixed price-completion. Revenue on fixed unit price contracts, where specified units of output under service arrangements are delivered, is recognized as units are delivered based on the specified price per unit. Revenue on fixed unit price maintenance contracts is recognized ratably over the length of the service period. Revenue for fixed price-level of effort contracts is recognized based upon the number of units of labor actually delivered multiplied by the agreed rate for each unit of labor.

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A significant portion of the Company's fixed price-completion contracts involve the design and development of complex client systems. For these contracts that are within the scope of ASC 605-35, revenue is recognized on the percentage-of-completion method using costs incurred in relation to total estimated costs. For fixed price-completion contracts that are not within the scope of ASC 605-35, revenue is generally recognized over the period when services are provided.

Contract accounting requires judgment relative to assessing risks, estimating contract revenue and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of the Company's contracts, the estimation of total revenue and cost at completion is complicated and subject to many variables. Contract costs include material, labor, subcontracting costs, and other direct costs, as well as an allocation of allowable indirect costs. Assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. For contract change orders, claims or similar items, the Company applies judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. Incentives or penalties related to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information for the Company to assess anticipated performance. Estimates of award fees for certain contracts are also a factor in estimating revenue and profit rates based on actual and anticipated awards.

Long-term development and production contracts make up a large portion of the Company's business, and therefore the amounts recorded in the Company's financial statements using contract accounting methods are material. For federal government contracts, the Company follows U.S. government procurement and accounting standards in assessing the allowability and the allocability of costs to contracts. Due to the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if the Company used different assumptions or if the underlying circumstances were to change. The Company closely monitors compliance with, and the consistent application of, its critical accounting policies related to contract accounting. Business operations personnel conduct thorough periodic contract status and performance reviews. When adjustments in estimated contract revenue or costs are required, any changes from prior estimates are generally included in earnings in the current period. Also, regular and recurring evaluations of contract cost, scheduling and technical matters are performed by management personnel who are independent from the business operations personnel performing work under the contract. Costs incurred and allocated to contracts with the U.S. government are inspected for compliance with regulatory standards by Company personnel, and are subject to audit by the Defense Contract Audit Agency (DCAA).

From time to time, the Company may proceed with work based on client direction prior to the completion and signing of formal contract documents. The Company has a formal review process for approving any such work. Revenue associated with such work is recognized only when it can be reliably estimated and realization is probable. The Company bases its estimates on previous experiences with the client, communications with the client regarding funding status, and its knowledge of available funding for the contract or program.

The Company's U.S. government contracts (94.0 and 94.4 percent of total revenue in the year ended June 30, 2014 and 2013, respectively) are subject to subsequent government audit of direct and indirect costs. Incurred cost audits have been completed through June 30, 2007. Management does not anticipate any material adjustment to the consolidated financial statements in subsequent periods for audits not yet started or completed.

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Costs of Revenue

Costs of revenue include all direct contract costs as well as indirect overhead costs and selling, general and administrative expenses that are allowable and allocable to contracts under federal procurement standards. Costs of revenue also include costs and expenses that are unallowable under applicable procurement standards, and are not allocable to contracts for billing purposes. Such costs and expenses do not directly generate revenue, but are necessary for business operations.

Cash and Cash Equivalents

The Company considers all investments with an original maturity of three months or fewer on their trade date to be cash equivalents. The Company classifies investments with an original maturity of more than three months but fewer than twelve months on their trade date as short-term marketable securities.

Investments in Marketable Securities

From time to time, the Company invests in marketable securities that are classified as available-for-sale and are reported at fair value. Unrealized gains and losses as a result of changes in the fair value of the available-for-sale investments are recorded as a separate component within accumulated other comprehensive income in the accompanying consolidated balance sheets. For securities classified as trading securities, unrealized gains and losses are reported in the consolidated statement of operations and impact net earnings.

The fair value of marketable securities is determined based on quoted market prices at the reporting date for those securities. The cost of securities sold is determined using the specific identification method. Premiums and discounts are amortized over the period from acquisition to maturity, and are included in investment income, along with interest and dividends.

Inventories

Inventories are stated at the lower of cost or market using the specific identification cost method, and are recorded within prepaid expenses and other current assets on the accompanying consolidated balance sheets.

Accounting for Business Combinations and Goodwill

The purchase price of an acquired business is allocated to the tangible assets and separately identifiable intangible assets acquired less liabilities assumed based upon their respective fair values, with the excess recorded as goodwill.

The Company evaluates goodwill at least annually for impairment, or whenever events or circumstances indicate that the carrying value may not be recoverable. The evaluation includes comparing the fair value of the relevant reporting unit to the carrying value, including goodwill, of such unit. The level at which the Company tests goodwill for impairment requires management to determine whether the operations below the operating segments constitute a self-sustaining business for which discrete financial information is available and segment management regularly reviews the operating results. If the fair value exceeds the carrying value, no impairment loss is recognized. However, if the carrying value of the reporting unit exceeds its fair value, the goodwill of the reporting unit may be impaired. Impairment is measured by comparing the implied fair value of the goodwill to its carrying value. Separately identifiable intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment if impairment indicators are present.

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of the annual assessment, the Company estimates the fair value of its reporting units using both an income approach and a market approach. The valuation process considers management's estimates of the future operating performance of each reporting unit. Companies in similar industries are researched and analyzed and management considers the domestic and international economic and financial market conditions, both in general and specific to the industry in which the Company operates, prevailing as of the valuation date. The income approach utilizes discounted cash flows. The Company calculates a weighted average cost of capital for each reporting unit in order to estimate the discounted cash flows.

The Company evaluates goodwill as of the first day of the fourth quarter. In addition, the Company will perform interim impairment testing should circumstances requiring it arise. The Company completed its annual goodwill assessment as of April 1, 2014 and no impairment charge was necessary as a result of this assessment.

Long-Lived Assets (Excluding Goodwill)

Long-lived assets such as property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized if the sum of the long-term undiscounted cash flows is less than the carrying amount of the long-lived asset being evaluated. Any write-downs are treated as permanent reductions in the carrying amount of the assets. Property and equipment is recorded at cost. Depreciation of equipment and furniture has been provided over the estimated useful life of the respective assets (ranging from three to eight years) using the straight-line method. Leasehold improvements are generally amortized using the straight-line method over the remaining lease term or the useful life of the improvements, whichever is shorter. Repairs and maintenance costs are expensed as incurred. Separately identifiable intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values.

External Software Development Costs

Costs incurred in creating a software product to be sold or licensed for external use are charged to expense when incurred as indirect costs and selling expenses until technological feasibility has been established for the software. Technological feasibility is established upon completion of a detailed program design or, in its absence, completion of a working software version. Thereafter, all such software development costs are capitalized and subsequently reported at the lower of unamortized cost or estimated net realizable value. Capitalized costs are amortized on a straight-line basis over the remaining estimated economic life of the product.

Supplemental Retirement Savings Plan

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

The Company maintains the CACI International Inc Group Executive Retirement Plan (the Supplemental Savings Plan) and maintains the underlying assets in a Rabbi Trust. The Supplemental Savings Plan is a non-qualified defined contribution supplemental retirement savings plan for certain key employees whereby participants may elect to defer and contribute a portion of their compensation, as permitted by the plan. Each participant directs his or her investments in the Supplemental Savings Plan (see Note 20).

A Rabbi Trust is a grantor trust established to fund compensation for a select group of management. The assets of this trust are available to satisfy the claims of general creditors in the event of bankruptcy of the Company. The assets held by the Rabbi Trust are invested in both corporate owned life insurance (COLI) products and in non-COLI products. The COLI products are recorded at cash surrender value in the consolidated financial statements as supplemental retirement savings plan assets and the non-COLI products are recorded at fair value in the consolidated financial statements as supplemental retirement savings plan assets. The amounts due to participants are based on contributions, participant investment elections, and other participant activity and are recorded as supplemental retirement savings plan obligations.

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Income Taxes

Income taxes are accounted for using the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities, and their respective tax bases, and operating loss and tax credit carry forwards. The Company accounts for tax contingencies in accordance with updates made to ASC 740-10-25, *Income Taxes - Recognition*. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. Estimates of the realizability of deferred tax assets are based on the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. Any interest or penalties incurred in connection with income taxes are recorded as part of income tax expense for financial reporting purposes.

Costs of Acquisitions

Costs associated with legal, financial and other professional advisors related to acquisitions, whether successful or unsuccessful, are expensed as incurred.

Foreign Currency Translation

The assets and liabilities of the Company's foreign subsidiaries whose functional currency is other than the U.S. dollar are translated at the exchange rate in effect on the reporting date, and income and expenses are translated at the weighted-average exchange rate during the period. The Company's primary practice is to negotiate contracts in the same currency in which the predominant expenses are incurred, thereby mitigating the exposure to foreign currency fluctuations. The net translation gains and losses are not included in determining net income, but are accumulated as a separate component of shareholders' equity. Foreign currency transaction gains and losses are included in determining net income, but are insignificant. These costs are included as indirect costs and selling expenses in the accompanying consolidated statements of operations.

Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock but not securities that are anti-dilutive, including stock options and stock settled stock appreciation rights (SSARs) with an exercise price greater than the average market price of the Company's common stock. Using the treasury stock method, diluted earnings per share includes the incremental effect of SSARs, stock options, restricted shares, and those restricted stock unit (RSUs) that

are no longer subject to a market or performance condition. For the period of the year they were outstanding, diluted earnings per share reflected the dilutive effects of shares issuable under the Company's \$300.0 million of 2.125 percent convertible senior subordinated notes that were issued on May 16, 2007 and matured on May 1, 2014 (the Notes), and warrants to issue 5.5 million shares of CACI common stock at an exercise price of \$68.31 per share that were issued in May 2007. Information about the weighted-average number of basic and diluted shares is presented in Note 23.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and amounts included in other current assets and current liabilities that meet the definition of a financial instrument approximate fair value because of the short-term nature of these amounts.

The fair value of the Company's debt under its bank credit facility approximates its carrying value at June 30, 2014. The fair value of the Company's debt under its bank credit facility was estimated using market

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

data on companies with a corporate rating similar to CACI's that have recently priced credit facilities. The fair value of the Notes is based on quoted market prices using Level 1 inputs (see Notes 13 and 22).

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk include accounts receivable and cash equivalents. Management believes that credit risk related to the Company's accounts receivable is limited due to a large number of customers in differing segments and agencies of the U.S. government. Accounts receivable credit risk is also limited due to the credit worthiness of the U.S. government. Management believes the credit risk associated with the Company's cash equivalents is limited due to the credit worthiness of the obligors of the investments underlying the cash equivalents. In addition, although the Company maintains cash balances at financial institutions that exceed federally insured limits, these balances are placed with high quality financial institutions.

Comprehensive Income

Comprehensive income is the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to revenue, expenses, and gains and losses that under U.S. GAAP are included in comprehensive income, but excluded from the determination of net income. The elements within other comprehensive income consist of foreign currency translation adjustments; the changes in the fair value of interest rate swap agreements, net of tax of \$2.4 million for the year ended June 30, 2014; and differences between actual amounts and estimates based on actuarial assumptions and the effect of changes in actuarial assumptions made under the Company's post-retirement benefit plans, net of tax (see Note 15).

As of June 30, 2014 and 2013, accumulated other comprehensive income included a gain of \$5.2 million and a loss of \$8.1 million, respectively, related to foreign currency translation adjustments, a loss of \$4.7 million and \$1.1 million, respectively, related to the fair value of its interest rate swap agreements, and a loss of \$0.9 million and \$0.7 million, respectively, related to unrecognized post-retirement costs.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported periods. The significant management estimates include estimated costs to complete fixed-price contracts, estimated award fees for contracts accounted for under ASC 605-35, amortization periods for long-lived intangible assets, recoverability of long-lived assets, reserves for accounts receivable, reserves for contract related matters, reserves for unrecognized tax benefits, and loss contingencies. Actual results could differ from these estimates.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which requires only those disposals which represent a strategic shift that has or will have a major impact on an entity's operations or financial results be presented as discontinued operations. The ASU is effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2014, with early adoption permitted. The Company's early adoption of this ASU on April 1, 2014 did not have any impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2016, using either a full retrospective approach or a modified approach. The Company is currently evaluating the impact that the adoption of ASU 2014-09 may have on the Company's consolidated financial statements and have not yet determined the method by which the Company will adopt the standard in FY2018.

NOTE 4. ACQUISITIONS

Year Ended June 30, 2014

On November 15, 2013, CACI acquired 100 percent of the outstanding shares of Six3 Systems. Six3 Systems provides highly specialized support to the national security community in the areas of cyber and signals intelligence; intelligence, surveillance, and reconnaissance; and intelligence operations. The acquisition expanded CACI's high-growth Cyberspace market, as well as build on CACI's capabilities in its high-volume C4ISR and Intelligence markets. In connection with the acquisition, on November 15, 2013, CACI entered into a fifth amendment (the Amendment) to its credit agreement dated as of October 21, 2010 (the Credit Agreement). The Amendment modified the Credit Agreement to allow for the incurrence of \$700 million in additional term loans and a \$100 million increase in the revolving facility to finance the acquisition of Six3 Systems.

The initial purchase consideration paid at closing in cash to acquire Six3 Systems was \$820.0 million plus \$25.8 million representing the estimated cash and net working capital adjustment, as defined in the agreement. Of the payment made at closing, \$5.0 million was deposited into

an escrow account pending final determination of the cash and net working capital acquired and \$35.0 million was deposited into an escrow account to secure the sellers' indemnification obligations (the Indemnification Amount). During the three months ended March 31, 2014, the parties agreed on the final cash and net working capital acquired and the \$5.0 million in escrow was distributed in full to the sellers. Any remaining Indemnification Amount at the end of the indemnification period not encumbered as a result of one or more indemnification claims will be distributed to the sellers.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The fair values assigned to the intangible assets acquired were based on estimates, assumptions, and other information compiled by management, including independent valuations that utilized established valuation techniques. Based on the Company's valuation, the total consideration of \$847.3 million, which includes a final cash and net working capital adjustment of \$1.4 million, has been allocated to assets acquired (including identifiable intangible assets and goodwill) and liabilities assumed (including deferred taxes on identifiable intangible assets that are not deductible for income tax purposes), as follows (in thousands):

Cash	\$ 10,166
Accounts receivable	80,615
Prepaid expenses and other current assets	17,551
Property and equipment	8,051
Customer contracts and customer relationships	164,300
Goodwill	702,747
Other assets	598
Accounts payable	(9,047)
Accrued expenses and other current liabilities	(63,417)
Long-term deferred tax liability	(64,275)
Total consideration	\$ 847,289

The goodwill of \$702.7 million is largely attributed to the specialized workforce and the expected synergies between the Company and Six3 Systems. The value attributed to customer contracts and customer relationships is being amortized on an accelerated basis over approximately 14 years. Of the value attributed to goodwill, \$55.1 million is deductible for income tax purposes.

From the date of acquisition through June 30, 2014, Six3 Systems generated \$268.4 million of revenue and \$8.9 million of net income. Six3 Systems' net income includes the impact of \$12.9 million of amortization of customer contracts and customer relationships, as well as \$4.2 million in expense associated with retention bonuses associated with retention agreements with certain Six3 Systems executives. The agreements provide for a payment upon the one and two year anniversaries of the acquisition, dependent upon continued employment by the executive as an employee of the Company. Six3 Systems' net income does not include the impact of acquisition-related expenses incurred by CACI.

CACI incurred \$11.7 million of acquisition-related expenses during the year ended June 30, 2014, including expenses associated with retention bonuses. In addition, CACI incurred a \$4.1 million indirect loss on extinguishment of debt. See Note 13 for additional information on the loss on extinguishment.

The following pro forma results are prepared for comparative purposes only and do not necessarily reflect the results that would have occurred had the acquisition occurred at the beginning of the years presented or the results which may occur in the future. The following unaudited pro forma results of operations assume the Six3 Systems acquisition had occurred on July 1, 2012 (in thousands except per share amounts):

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

	(Unaudited)	
	Year ended June 30,	
	2014	2013
Revenue	\$ 3,742,394	\$ 4,121,447
Net income	150,881	152,406
Basic earnings per share	6.44	6.62
Diluted earnings per share	6.00	6.38

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Year Ended June 30, 2013***

During the year ended June 30, 2013, the Company completed acquisitions of three businesses in the United States. The total consideration recorded to acquire these three businesses, including the amounts paid at closing and additional payments made subsequent to closing based on the final agreed net worth of the assets acquired in each acquisition, was approximately \$106.4 million. The Company recognized fair values of the assets acquired and liabilities assumed and allocated \$71.5 million to goodwill and \$19.9 million to other intangible assets, primarily customer relationships, with the balance allocated to net tangible assets and liabilities assumed. These fair values represented management's calculations of the fair values as of the acquisition dates and were based on analysis of supporting information.

Year Ended June 30, 2012

During the year ended June 30, 2012, the Company completed acquisitions of five businesses, three in the United States and two supporting our international operations. The total consideration recorded to acquire these five businesses, including the amounts paid at closing, additional payments made subsequent to closing based on the final agreed net worth of the assets acquired in each acquisition, and the fair value at the date of acquisition of Tomorrow Communications Ltd (TCL) attributable to contingent consideration which may have been paid to the sellers based on events to occur in the first year subsequent to the acquisition date, was approximately \$199.1 million. The Company recognized fair values of the assets acquired and liabilities assumed and allocated \$142.2 million to goodwill and \$43.2 million to other intangible assets, primarily customer relationships, with the balance allocated to net tangible assets and liabilities assumed. These fair values represented management's calculations of the fair values as of the acquisition dates and were based on analysis of supporting information. The maximum contingent consideration associated with the TCL acquisition was approximately \$6.0 million. During the year ended June 30, 2013, the Company determined that the maximum contingent consideration possible had been earned. One-half of this amount was paid in February 2013 and the remaining one-half was paid in February 2014.

NOTE 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following (cost approximates fair value) (in thousands):

	June 30,	
	2014	2013
Cash	\$ 62,560	\$ 61,722
Money market funds	1,901	2,615
Total cash and cash equivalents	\$ 64,461	\$ 64,337

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 6. ACCOUNTS RECEIVABLE**

Total accounts receivable, net of allowance for doubtful accounts of \$3.7 million and \$3.2 million at June 30, 2014 and 2013, respectively, consisted of the following (in thousands):

	June 30,	
	2014	2013
Billed receivables	\$ 473,527	\$ 468,254
Billable receivables at end of period	84,784	102,963
Unbilled receivables pending receipt of contractual documents authorizing billing	57,269	43,399
Total accounts receivable, current	615,580	614,616
Unbilled receivables, retainages and fee withholdings expected to be billed beyond the next 12 months	8,714	11,330
Total accounts receivable	\$ 624,294	\$ 625,946

NOTE 7. GOODWILL

The changes in the carrying amount of goodwill for the years ended June 30, 2014 and 2013 are as follows (in thousands):

Balance at June 30, 2012	\$ 1,406,953
Goodwill acquired	71,458
Foreign currency translation	(1,446)
Balance at June 30, 2013	\$ 1,476,965
Goodwill acquired	702,747
Foreign currency translation	8,857
Balance at June 30, 2014	\$ 2,188,569

The FY2014 additions to goodwill are due to the second quarter acquisition of Six3 Systems and the FY2013 additions to goodwill are due to the acquisitions of three businesses in the United States. See Note 4 for additional information.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 8. INTANGIBLE ASSETS**

Intangible assets consisted of the following (in thousands):

	June 30,	
	2014	2013
Intangible assets		
Customer contracts and related customer relationships	\$ 516,973	\$ 351,349
Acquired technologies	27,177	27,177
Covenants not to compete	3,472	3,401
Other	1,601	1,639
Intangible assets	549,223	383,566
Less accumulated amortization		
Customer contracts and related customer relationships	(291,583)	(254,840)
Acquired technologies	(23,119)	(20,686)
Covenants not to compete	(3,131)	(2,896)
Other	(980)	(956)
Accumulated amortization	(318,813)	(279,378)
Total intangible assets, net	\$ 230,410	\$ 104,188

Intangible assets are primarily amortized on an accelerated basis over periods ranging from one to fifteen years. The weighted-average period of amortization for customer contracts and related customer relationships as of June 30, 2014 is 13.1 years, and the weighted-average remaining period of amortization is 11.5 years. The weighted-average period of amortization for acquired technologies as of June 30, 2014 is 9.4 years, and the weighted-average remaining period of amortization is 4.9 years.

Amortization expense for the years ended June 30, 2014, 2013 and 2012 was \$38.6 million, \$30.5 million, and \$35.1 million, respectively. Accumulated amortization as of June 30, 2014 for customer contracts and related customer relationships and for acquired technologies was \$291.6 million and \$23.1 million, respectively. Expected amortization expense for each of the fiscal years through June 30, 2019 and for years thereafter is as follows (in thousands):

	Amount
Year ending June 30, 2015	\$ 39,446
Year ending June 30, 2016	32,754
Year ending June 30, 2017	29,429

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

Year ending June 30, 2018	25,368
Year ending June 30, 2019	20,903
Thereafter	82,510
Total intangible assets, net	\$ 230,410

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 9. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following (in thousands):

	June 30,	
	2014	2013
Equipment and furniture	\$ 99,144	\$ 88,279
Leasehold improvements	80,412	73,569
Property and equipment, at cost	179,556	161,848
Less accumulated depreciation and amortization	(111,071)	(96,338)
Total property and equipment, net	\$ 68,485	\$ 65,510

Depreciation expense, including amortization of leasehold improvements, was \$22.7 million, \$21.1 million and \$19.1 million for the years ended June 30, 2014, 2013 and 2012, respectively.

NOTE 10. CAPITALIZED EXTERNAL SOFTWARE DEVELOPMENT COSTS

A summary of changes in capitalized external software development costs, including costs capitalized and amortized during each of the years in the three-year period ended June 30, 2014, is as follows (in thousands):

	Year ended June 30,		
	2014	2013	2012
Capitalized software development costs, beginning of year	\$ 12,742	\$ 6,448	\$ 4,049
Costs capitalized	7,742	8,842	4,216
Amortization	(3,890)	(2,548)	(1,817)
Capitalized software development costs, end of year	\$ 16,594	\$ 12,742	\$ 6,448

Capitalized software development costs are presented within other current assets and other long-term assets in the accompanying consolidated balance sheets.

NOTE 11. ACCRUED COMPENSATION AND BENEFITS

Accrued compensation and benefits consisted of the following (in thousands):

	June 30,	
	2014	2013
Accrued salaries and withholdings	\$ 100,503	\$ 84,168
Accrued leave	63,392	65,501
Accrued fringe benefits	19,466	16,869
 Total accrued compensation and benefits	 \$ 183,361	 \$ 166,538

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 12. OTHER ACCRUED EXPENSES AND CURRENT LIABILITIES**

Other accrued expenses and current liabilities consisted of the following (in thousands):

	June 30,	
	2014	2013
Vendor obligations	\$ 88,617	\$ 97,281
Deferred revenue	33,584	28,741
Deferred acquisition consideration		4,791
Other	19,651	16,553
Total other accrued expenses and current liabilities	\$ 141,852	\$ 147,366

The deferred acquisition consideration of \$4.8 million as of June 30, 2013 related to contingent consideration due to the former shareholders of TCL (see Notes 4 and 22) and amounts retained by the Company to secure the Seller's indemnification obligations in connection with the TCL and PSB Informatiesystemen BV acquisitions made by the Company's international operations during the year ended June 30, 2012. The deferred acquisition consideration was settled during FY2014.

NOTE 13. LONG TERM DEBT

Long-term debt consisted of the following (in thousands):

	June 30,	
	2014	2013
Convertible notes payable	\$	\$ 300,000
Bank credit facility term loans	810,469	131,250
Bank credit facility revolver loans	475,000	180,000
Principal amount of long-term debt	1,285,469	611,250
Less unamortized discount		(11,421)
Less unamortized debt issuance costs	(5,178)	(3,522)
Total long-term debt	1,280,291	596,307
Less current portion	(41,563)	(295,517)

Long-term debt, net of current portion	\$ 1,238,728	\$ 300,790
--	--------------	------------

Bank Credit Facility

The Company has a \$1,681.3 million credit facility (the Credit Facility), which consists of an \$850.0 million revolving credit facility (the Revolving Facility) and an \$831.3 million term loan (the Term Loan). The Revolving Facility has subfacilities of \$50.0 million for same-day swing line loan borrowings and \$25.0 million for stand-by letters of credit. At any time and so long as no default has occurred, the Company has the right to increase the Revolving Facility or the Term Loan in an aggregate principal amount of up to the greater of \$400.0 million or an amount subject to 2.75 times senior secured leverage, calculated assuming the Revolving Facility is fully drawn, with applicable lender approvals. The Credit Facility is available to refinance existing indebtedness and for general corporate purposes, including working capital expenses and capital expenditures. The Credit Facility was amended on November 15, 2013 in connection with the Company's acquisition of Six3 Systems. See Note 4. Prior to the amendment, the Credit Facility consisted of a \$750.0 million revolving credit facility and a \$150.0 million term loan. In connection with the amendment, which allowed for the incurrence of

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

\$700.0 million of additional term loans and a \$100.0 million increase in the Revolving Facility, the Company evaluated each creditor with ownership in the debt before and after the additional borrowings to determine whether the additional borrowings should be accounted for as a modification or an extinguishment of debt as it relates to each individual holder. As a result of this analysis, the Company recorded a \$4.1 million loss on extinguishment within indirect costs and selling expenses in the three month period ended December 31, 2013. The Credit Facility matures on November 15, 2018.

The Revolving Facility is a secured facility that permits continuously renewable borrowings of up to \$850.0 million. As of June 30, 2014, the Company had \$475.0 million outstanding under the Revolving Facility, no borrowings on the swing line and an outstanding letter of credit of \$0.4 million. The Company pays a quarterly facility fee for the unused portion of the Revolving Facility.

The Term Loan is a five-year secured facility under which principal payments are due in quarterly installments of \$10.4 million through December 31, 2016 and \$20.8 million thereafter until the balance is due in full on November 15, 2018. As of June 30, 2014, the Company had \$810.5 million outstanding under the Term Loan.

The interest rates applicable to loans under the Credit Facility are floating interest rates that, at the Company's option, equal a base rate or a Eurodollar rate plus, in each case, an applicable rate based upon the Company's consolidated total leverage ratio. As of June 30, 2014, the effective interest rate, including the impact of the Company's floating-to-fixed interest rate swap agreements and excluding the effect of amortization of debt financing costs, for the outstanding borrowings under the Credit Facility was 2.26 percent.

The Credit Facility requires the Company to comply with certain financial covenants, including a maximum senior secured leverage ratio, a maximum total leverage ratio and a minimum fixed charge coverage ratio. The Credit Facility also includes customary negative covenants restricting or limiting the Company's ability to guarantee or incur additional indebtedness, grant liens or other security interests to third parties, make loans or investments, transfer assets, declare dividends or redeem or repurchase capital stock or make other distributions, prepay subordinated indebtedness and engage in mergers, acquisitions or other business combinations, in each case except as expressly permitted under the Credit Facility. As of June 30, 2014, the Company was in compliance with all of the financial covenants. A majority of the Company's assets serve as collateral under the Credit Facility.

The Company has capitalized \$18.1 million of debt issuance costs associated with the Credit Facility. All debt issuance costs are being amortized from the date incurred to the expiration date of the Credit Facility. As of June 30, 2014, \$5.2 million of the unamortized balance is included in long-term debt and \$6.2 million is included in other long-term assets.

Convertible Notes Payable

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

Effective May 16, 2007, the Company issued at par value \$300.0 million convertible notes (the Notes) which matured on May 1, 2014. Upon maturity the aggregate conversion value was \$406.8 million. Accordingly, the Company paid note holders the outstanding principal value totaling \$300.0 million in cash and issued approximately 1.4 million shares of our common stock for the remaining aggregate conversion value. Concurrently with the issuance of our common stock upon conversion, the Company received 1.4 million shares of our common stock pursuant to the terms of the call option hedge transaction described below. The Company included these shares within treasury stock on our consolidated balance sheet at June 30, 2014.

The Company separately accounted for the liability and the equity (conversion option) components of the Notes and recognized interest expense on the Notes using an interest rate in effect for comparable debt instruments

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

that do not contain conversion features. The effective interest rate for the Notes excluding the conversion option was determined to be 6.9 percent on initial recognition. The fair value of the liability component of the Notes was calculated to be \$221.9 million at May 16, 2007, the date of issuance. The excess of the \$300.0 million of gross proceeds over the \$221.9 million fair value of the liability component, or \$78.1 million, represents the fair value of the equity component, which was recorded, net of income tax effect, as additional paid-in capital within shareholders' equity. This \$78.1 million difference represents a debt discount that was amortized over the seven-year term of the Notes as a non-cash component of interest expense and was fully amortized at maturity. The components of interest expense related to the Notes were as follows (in thousands):

	Year ended June 30,		
	2014	2013	2012
Coupon interest	\$ 5,313	\$ 6,375	\$ 6,375
Non-cash amortization of discount	11,421	12,868	12,024
Amortization of issuance costs	683	820	820
 Total	 \$ 17,417	 \$ 20,063	 \$ 19,219

In connection with the issuance of the Notes, we entered into separate call option hedge and warrant transactions to reduce the potential dilutive impact upon the conversion of the Notes. The Call Options and the Warrants (each as defined below) are separate and legally distinct instruments that bind CACI and the counterparties and have no binding effect on the holders of the Notes.

The Company purchased in a private transaction at a cost of \$84.4 million call options (the Call Options) to purchase approximately 5.5 million shares of its common stock at a price equal to the conversion price of \$54.65 per share. The cost of the Call Options was recorded as a reduction of additional paid-in capital. The Call Options allowed CACI to receive shares of its common stock from the counterparties equal to the amount of common stock related to the excess conversion value that CACI would pay the holders of the Notes upon conversion. The Company exercised the call options upon the maturity and conversion of the Notes and received 1.4 million shares of our common stock.

For income tax reporting purposes, the Notes and the Call Options are integrated. This created an original issue discount for income tax reporting purposes, and therefore the cost of the Call Options is being accounted for as interest expense over the term of the Notes for income tax reporting purposes. The associated income tax benefit of \$32.8 million to be realized for income tax reporting purposes over the term of the Notes was recorded as an increase in additional paid-in capital and a long-term deferred tax asset. The majority of this deferred tax asset was offset in the Company's balance sheet by the \$30.7 million deferred tax liability originally associated with the non-cash interest expense to be recorded for financial reporting purposes.

In addition, the Company sold warrants (the Warrants) to issue approximately 5.5 million shares of CACI common stock at an exercise price of \$68.31 per share. The proceeds from the sale of the Warrants totaled \$56.5 million and were recorded as an increase to additional paid-in capital. The Warrants are expected to settle in FY2015.

Cash Flow Hedges

The Company periodically uses derivative financial instruments as part of a strategy to manage exposure to market risks associated with interest rate fluctuations as of June 30. The Company has entered into several floating-to-fixed interest rate swap agreements for an aggregate notional amount of \$400.0 million which hedge a portion of the Company's floating rate indebtedness. Subsequent to year end, the Company entered into one

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

additional floating-to-fixed interest rate swap agreement for an aggregate notional amount of \$100.0 million. The Company has designated the swaps as cash flow hedges. Unrealized gains are recognized as assets while unrealized losses are recognized as liabilities. The interest rate swap agreements are highly correlated to the changes in interest rates to which the Company is exposed. Unrealized gains and losses on these swaps are designated as effective or ineffective. The effective portion of such gains or losses is recorded as a component of accumulated other comprehensive income or loss, while the ineffective portion of such gains or losses is recorded as a component of interest expense. Realized gains and losses in connection with each required interest payment are reclassified from accumulated other comprehensive income or loss to interest expense. The Company does not hold or issue derivative financial instruments for trading purposes.

The effect of derivative instruments in the condensed consolidated statements of operations and accumulated other comprehensive loss for the years ended June 30, 2014, 2013 and 2012 is as follows (in thousands):

	Interest Rate Swaps		
	2014	2013	2012
(Loss) gain recognized in other comprehensive income	\$ (3,643)	\$ 262	\$ (1,332)
Loss reclassified to earnings from accumulated other comprehensive loss	\$ 1,356	\$	\$

The aggregate maturities of long-term debt at June 30, 2014 are as follows (in thousands):

Year ending June 30,	
2015	\$ 41,563
2016	41,563
2017	62,343
2018	83,125
2019	1,056,875
Principal amount of long-term debt	1,285,469
Less unamortized debt issuance costs	(5,178)
Total long-term debt	\$ 1,280,291

NOTE 14. LEASES

The Company conducts its operations from leased office facilities, all of which are classified as operating leases and expire over the next 10 years. Future minimum lease payments due under non-cancelable leases as of June 30, 2014, are as follows (in thousands):

Year ending June 30:	
2015	\$ 49,065
2016	45,583
2017	39,609
2018	29,916
2019	25,086
Thereafter	52,114
Total minimum lease payments	\$ 241,373

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The minimum lease payments above are shown net of sublease rental income of \$0.5 million scheduled to be received over the next 40 months under non-cancelable sublease agreements.

Rent expense incurred under operating leases for the years ended June 30, 2014, 2013, and 2012 totaled \$51.8 million, \$50.6 million, and \$46.4 million, respectively.

NOTE 15. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following (in thousands):

	June 30,	
	2014	2013
Deferred rent, net of current portion	\$ 31,662	\$ 28,777
Reserve for unrecognized tax benefits	9,138	6,384
Deferred revenue	8,397	8,356
Accrued post-retirement obligations	5,557	5,180
Interest rate swap agreements	7,774	1,765
Other	825	1,111
Total other long-term liabilities	\$ 63,353	\$ 51,573

Deferred rent liabilities result from recording rent expense and incentives for tenant improvements on a straight-line basis over the life of the respective lease.

Accrued post-retirement obligations include projected liabilities for benefits the Company is obligated to provide under a long-term care, a group health, and an executive life insurance plan, each of which is unfunded. Plan benefits are provided to certain current and former executives, their dependents and other eligible employees, as defined. Post-retirement obligations also include accrued benefits under supplemental retirement benefit plans covering certain executives. The expense recorded under these plans was \$0.3 million and \$0.8 million during the years ended June 30, 2014 and 2013, respectively.

The Company has entered into floating-to-fixed interest rate swap agreements related to a portion of the Company's floating rate indebtedness (see Note 13). The fair value of the swap agreements as of June 30, 2014 and 2013 is a liability of approximately \$7.8 million and \$1.8 million, respectively.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 16. BUSINESS SEGMENT, CUSTOMER AND GEOGRAPHIC INFORMATION***Segment Information*

The Company reports operating results and financial data in two segments: domestic operations and international operations. Domestic operations provide information solutions and services to its customers. Its customers are primarily U.S. federal government agencies. Other customers of the Company's domestic operations include state and local governments and commercial enterprises. The Company does not measure revenue or profit by its major market areas or service offerings, either for internal management or external financial reporting purposes, as it would be impractical to do so. The Company places employees in locations around the world in support of its clients. International operations offer services to both commercial and non-U.S. government customers primarily within the Company's business systems and enterprise IT markets. The Company evaluates the performance of its operating segments based on net income attributable to CACI. Summarized financial information concerning the Company's reportable segments is shown in the following tables.

	Domestic Operations	International Operations (in thousands)	Total
Year Ended June 30, 2014			
Revenue from external customers	\$ 3,421,544	\$ 143,018	\$ 3,564,562
Net income attributable to CACI	124,599	10,717	135,316
Net assets	1,221,641	137,525	1,359,166
Goodwill	2,099,821	88,748	2,188,569
Total long-term assets	2,509,992	113,297	2,623,289
Total assets	3,170,121	189,017	3,359,138
Capital expenditures	13,737	1,542	15,279
Depreciation and amortization	61,207	3,974	65,181
Year Ended June 30, 2013			
Revenue from external customers	\$ 3,547,459	\$ 134,531	\$ 3,681,990
Net income attributable to CACI	141,741	9,948	151,689
Net assets	1,094,098	113,474	1,207,572
Goodwill	1,397,272	79,693	1,476,965
Total long-term assets	1,669,585	103,705	1,773,290
Total assets	2,333,452	163,619	2,497,071
Capital expenditures	13,667	1,772	15,439
Depreciation and amortization	50,568	3,510	54,078
Year Ended June 30, 2012			
Revenue from external customers	\$ 3,659,367	\$ 115,106	\$ 3,774,473
Net income attributable to CACI	159,421	8,033	167,454
Net assets	1,061,360	103,085	1,164,445
Goodwill	1,325,814	81,139	1,406,953
Total long-term assets	1,600,726	101,704	1,702,430
Total assets	2,233,480	154,742	2,388,222

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

Capital expenditures	16,613	1,671	18,284
Depreciation and amortization	52,865	3,097	55,962

Interest income and interest expense are not presented above as the amounts attributable to the Company's international operations are insignificant.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Customer Information***

The Company earned 94.0 percent, 94.4 percent and 94.5 percent of its revenue from various agencies and departments of the U.S. government for the years ended June 30, 2014, 2013 and 2012, respectively. Revenue by customer sector was as follows (dollars in thousands):

	2014		Year ended June 30,		2012	
	\$	%	\$	%	\$	%
Department of Defense	\$ 2,578,024	72.3%	\$ 2,735,102	74.3%	\$ 2,944,924	78.0%
Federal civilian agencies	771,662	21.7	741,053	20.1	620,870	16.5
Commercial and other	199,521	5.6	190,142	5.2	193,840	5.1
State and local governments	15,355	0.4	15,693	0.4	14,839	0.4
Total revenue	\$ 3,564,562	100.0%	\$ 3,681,990	100.0%	\$ 3,774,473	100.0%

NOTE 17. INVESTMENTS IN JOINT VENTURES***AC FIRST LLC***

In July 2009, the Company entered into a joint venture with AECOM Government Services, Inc. (AGS), a division of AECOM Technology Corporation, called AC FIRST LLC (AC FIRST). The companies partnered in the venture to jointly pursue work under a U.S. Army contract. The Company owns 49 percent of AC FIRST and AGS owns 51 percent. The Company accounts for its interest in AC FIRST using the equity method of accounting. The carrying value of the Company's investment in AC FIRST as of June 30, 2014 and 2013 was \$5.6 million and \$9.7 million, respectively, and is included in other long-term assets on the Company's consolidated balance sheets. The Company's maximum exposure to loss cannot be determined as any losses incurred by AC FIRST would be allocated to each partner based on the joint venture agreement, however, AC FIRST has not experienced any losses to date. During the years ended June 30, 2014 and 2013, the Company's share of the net income of AC FIRST was \$1.5 million and \$2.6 million, respectively. These amounts are included in interest expense and other, net on the accompanying consolidated statements of operations. During the year ended June 30, 2014, the Company received \$5.6 million in cash distributions and made no capital contributions. During the year ended June 30, 2013, the company received \$6.2 million in cash distributions and made \$1.4 million in capital contributions. The Company has determined that the primary beneficiary of AC FIRST is AGS as AGS owns the majority of AC FIRST and controls its operations.

eVenture Technologies LLC

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

eVenture Technologies LLC (eVentures) is a joint venture between the Company and ActioNet, Inc. (ActioNet), and is the entity through which work is being performed on a contract awarded in January 2007 by the United States Navy. The Company owns 60 percent of eVentures and ActioNet owns the remaining 40 percent. eVentures was funded through capital contributions made by the Company and by ActioNet. As the Company owns and controls more than 50 percent of eVentures, the Company's results include those of eVentures. ActioNet's share of eVentures assets, liabilities, results of operations, and cash flows have been accounted for as a noncontrolling interest.

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18. OTHER COMMITMENTS AND CONTINGENCIES

General Legal Matters

The Company is involved in various lawsuits, claims, and administrative proceedings arising in the normal course of business. Management is of the opinion that any liability or loss associated with such matters, either individually or in the aggregate, will not have a material adverse effect on the Company's operations and liquidity.

Government Contracting

Payments to the Company on cost-plus-fee and time-and-materials contracts are subject to adjustment upon audit by the Defense Contract Audit Agency (DCAA). The DCAA has completed its audits of the Company's incurred cost submissions for the years ended June 30, 2006 and 2007 and on April 3, 2014 the Defense Contract Management Agency issued its final determinations regarding those incurred cost submissions. The Company has appealed both determinations. The DCAA is currently in the process of auditing the Company's incurred cost submissions for the year ended June 30, 2008. In the opinion of management, adjustments that may result from these audits and the audits not yet started are not expected to have a material effect on the Company's financial position, results of operations, or cash flows as the Company has accrued its best estimate of potential disallowances. Additionally, the DCAA continually reviews the cost accounting and other practices of government contractors, including the Company. In the course of those reviews, cost accounting and other issues are identified, discussed and settled.

On March 26, 2012, the Company received a subpoena from the Defense Criminal Investigative Service seeking documents related to one of the Company's contracts for the period of January 1, 2007 through March 26, 2012. The Company is providing documents responsive to the subpoena and cooperating fully with the government's investigation. The Company has accrued its current best estimate of the potential outcome within its estimated range of zero to \$1.8 million.

On April 9, 2012, the Company received a letter from the Department of Justice (DoJ) informing the Company that the DoJ is investigating whether the Company violated the civil False Claims Act by submitting false claims to receive federal funds pursuant to a GSA contract. Specifically, the DoJ is investigating whether the Company failed to comply with contract requirements and applicable regulations by improperly billing for certain contracting personnel under the contract. The Company has not accrued any liability as based on its present knowledge of the facts, it does not believe an unfavorable outcome is probable.

German Value-Added Taxes

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

The Company is under audit by the German tax authorities for issues related to value-added tax returns. At this time, the Company has not been assessed any deficiency and, based on sound factual and legal precedent, believes it is in compliance with the applicable value-added tax regulations. The Company has not recognized any liability for this matter because an unfavorable outcome is not considered probable. The Company estimates the range of reasonably possible losses to be between \$1.5 million and \$3.5 million.

Virginia Sales and Use Tax Audit

The Company is under audit for sales and use tax related issues by the Commonwealth of Virginia. The Company has accrued its current best estimate of the potential outcome within its estimated range of \$2.8 million to \$4.8 million.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 19. INCOME TAXES**

The domestic and foreign components of income before provision for income taxes are as follows (in thousands):

	Year ended June 30,		
	2014	2013	2012
Domestic	\$ 204,879	\$ 231,342	\$ 263,790
Foreign	13,763	12,694	11,201
Income before income taxes	\$ 218,642	\$ 244,036	\$ 274,991

The components of income tax expense are as follows (in thousands):

	Year ended June 30,		
	2014	2013	2012
Current:			
Federal	\$ 53,055	\$ 47,038	\$ 76,874
State and local	11,456	10,767	16,678
Foreign	3,256	3,440	3,332
Total current	67,767	61,245	96,884
Deferred:			
Federal	12,580	26,218	9,000
State and local	2,680	5,313	1,458
Foreign	299	(429)	195
Total deferred	15,559	31,102	10,653
Total income tax expense	\$ 83,326	\$ 92,347	\$ 107,537

Income tax expense differs from the amounts computed by applying the statutory U.S. income tax rate of 35 percent as a result of the following (in thousands):

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

	Year ended June 30,		
	2014	2013	2012
Expected tax expense computed at federal rate	\$ 76,525	\$ 85,413	\$ 96,247
State and local taxes, net of federal benefit	9,188	10,452	11,788
(Nonincludible) nondeductible items	1,150	(929)	2,424
Incremental effect of foreign tax rates	(1,885)	(1,376)	(1,026)
Other	(1,652)	(1,213)	(1,896)
 Total income tax expense	 \$ 83,326	 \$ 92,347	 \$ 107,537

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The tax effects of temporary differences that give rise to deferred taxes are presented below (in thousands):

	2014	June 30, 2013
Deferred tax assets:		
Deferred compensation and post-retirement obligations	\$ 35,360	\$ 34,597
Reserves and accruals	28,176	27,640
Stock-based compensation	8,301	13,409
Deferred rent	4,632	3,522
Other	13,127	7,900
Total deferred tax assets	89,596	87,068
Deferred tax liabilities:		
Goodwill and other intangible assets	(243,035)	(162,739)
Unbilled revenue	(6,948)	(11,583)
Prepaid expenses	(4,986)	(4,638)
Other	(9,780)	(9,040)
Total deferred tax liabilities	(264,749)	(188,000)
Net deferred tax liability	\$ (175,153)	\$ (100,932)

The Company is subject to income taxes in the U.S. and various state and foreign jurisdictions. Tax statutes and regulations within each jurisdiction are subject to interpretation and require the application of significant judgment. The Company's consolidated federal income tax returns through June 30, 2009 are no longer subject to audit. The Company is currently under examination by two state jurisdictions and one foreign jurisdiction for years ended June 30, 2004 through June 30, 2012. The Company does not expect the resolution of these examinations to have a material impact on its results of operations, financial condition or cash flows.

During the years ended June 30, 2014 and 2013, the Company's income tax expense was favorably impacted by non-taxable gains on assets invested in corporate-owned life insurance (COLI) policies, and tax benefits related to deductions claimed for income from domestic production activities.

In connection with the issuance of the Notes referred to in Note 13, there was original issue discount (OID) created for income tax purposes. Over the term of the Notes, this OID generated additional interest expense for income tax reporting purposes.

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

As of June 30, 2013, the Company corrected the classification of \$4.2 million of deferred tax liabilities by reclassifying this amount from non-current deferred tax liabilities to a reduction of current deferred tax assets and concluded that this reclassification was not material.

U.S. income taxes have not been provided for undistributed earnings of foreign subsidiaries that have been permanently reinvested outside the United States. As of June 30, 2014, the estimated deferred tax liability associated with these undistributed earnings is approximately \$8.8 million.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company's total liability for unrecognized tax benefits as of June 30, 2014, 2013 and 2012 was approximately \$9.6 million, \$8.2 million and \$7.0 million, respectively. Of the unrecognized tax benefits at June 30, 2014, 2013, and 2012, \$2.4 million, \$2.6 million and \$2.4 million, respectively, if recognized, would impact the Company's effective tax rate. A reconciliation of the beginning and ending amount of unrecognized benefits is shown in the table below (in thousands):

	Year ended June 30,		
	2014	2013	2012
Beginning of year	\$ 8,184	\$ 7,013	\$ 5,897
Additions based on current year tax positions	2,023	1,261	1,181
Lapse of statute of limitations	(426)	(90)	(65)
Settlement with taxing authorities	(145)		
End of year	\$ 9,636	\$ 8,184	\$ 7,013

The Company recognizes net interest and penalties as a component of income tax expense. Over the next 12 months, the Company does not expect a significant increase or decrease in the unrecognized tax benefits recorded at June 30, 2014. As of June 30, 2014, approximately \$9.2 million of the unrecognized tax benefits are included in other long-term liabilities, with the remainder included in other balance sheet accounts.

NOTE 20. RETIREMENT SAVINGS PLANS***401(k) Plan***

The Company maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code, the CACI \$SMART Plan (the 401(k) Plan). Employees can contribute up to 75 percent (subject to certain statutory limitations) of their total cash compensation. The Company provides matching contributions equal to 50 percent of the amount of salary deferral employees elect, up to 6 percent of each employee's total calendar year cash compensation, as defined. The Company may also make discretionary profit sharing contributions to the 401(k) Plan. Employee contributions vest immediately. Employer contributions vest in full after three years of employment. Total 401(k) Plan Company contribution expense for the years ended June 30, 2014, 2013, and 2012 were \$21.9 million, \$26.8 million, and \$26.1 million, respectively. Effective January 1, 2013, the Company amended the 401(k) Plan to provide that as of July 1, 2013, 401(k) Plan participants must be employed on the last day of the Plan year to be eligible for matching contributions.

Six3 Retirement Savings Plans

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

The Company maintains qualified defined contribution 401(k) profit-sharing plans that cover eligible employees. Participants may make voluntary contributions to the plans up to the maximum amount allowable by law. The Company will match employee contributions to the plans in accordance with the plan documents. Matching contributions vest to participants immediately. Company contribution expense for the year ended June 30, 2014 was \$1.1 million.

The Company maintains several qualified 401(k) profit-sharing plans (PSP) that cover eligible employees. Employees are eligible to participate in the PSP beginning on the first of the month following the start of employment and attainment of age 18. Under the PSP, the Company may make discretionary contributions based on a percentage of the total compensation of all eligible participants. Company contribution expense for the year ended June 30, 2014 was \$10.4 million.

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

International Operations Defined Contribution Plans

The Company maintains defined contribution pension plans in the U.K. and in the Netherlands. In the U.K., employees can elect the amount of pension contributions that they wish to make subject to certain U.K. tax limits. Under the Dutch plan, the amounts the Company contributes are based on the employee's age. In both countries, the contributions are deemed to be company contributions and vest immediately. Contributions to these plans and their predecessor plans for the years ended June 30, 2014, 2013, and 2012 were \$1.1 million, \$2.0 million, and \$1.8 million, respectively.

Supplemental Savings Plan

The Company maintains the Supplemental Savings Plan through which, on a calendar year basis, officers at the director level and above can elect to defer for contribution to the Supplemental Savings Plan up to 50 percent of their base compensation and up to 100 percent of their bonuses and commissions. The Company provides a contribution of 5 percent of compensation for each participant's compensation that exceeds the limit as set forth in IRC 401(a)(17) (currently \$260,000 per year). The Company also has the option to make annual discretionary contributions. Company contributions vest over a 5-year period, and vesting is accelerated in the event of a change of control of the Company. Participant deferrals and Company contributions will be credited with the rate of return based on the investment options and asset allocations selected by the Participant. Participants may change their asset allocation as often as daily, if they so choose. A Rabbi Trust has been established to hold and provide a measure of security for the investments that finance benefit payments. Distributions from the Supplemental Savings Plan are made upon retirement, termination, death, or total disability. The Supplemental Savings Plan also allows for in-service distributions.

Supplemental Savings Plan obligations due to participants totaled \$84.4 million at June 30, 2014, of which \$6.9 million is included in accrued compensation and benefits in the accompanying consolidated balance sheet. Supplemental Savings Plan obligations increased by \$1.7 million during the year ended June 30, 2014, consisting of \$7.3 million of investment gains, \$6.6 million of participant compensation deferrals, and \$0.3 million of Company contributions, offset by \$12.5 million of distributions.

The Company maintains investment assets in a Rabbi Trust to offset the obligations under the Supplemental Savings Plan. The value of the investments in the Rabbi Trust was \$88.5 million at June 30, 2014. Investment gains were \$7.2 million for the year ended June 30, 2014.

Contribution expense for the Supplemental Savings Plan during the years ended June 30, 2014, 2013, and 2012, was \$0.3 million, \$1.0 million, and \$1.2 million, respectively.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 21. STOCK PLANS AND STOCK-BASED COMPENSATION**

For stock options, SSARs and non-performance-based RSUs, stock-based compensation expense is recognized on a straight-line basis ratably over the respective vesting periods. For RSUs subject to graded vesting schedules for which vesting is based on achievement of a performance metric in addition to grantee service (performance-based RSUs), stock-based compensation expense is recognized on an accelerated basis by treating each vesting tranche as if it was a separate grant. A summary of the components of stock-based compensation expense recognized during the years ended June 30, 2014, 2013, and 2012, together with the income tax benefits realized, is as follows (in thousands):

	Year ended June 30,		
	2014	2013	2012
Stock-based compensation included in indirect costs and selling expense:			
Restricted stock and RSU expense	\$ 11,516	\$ 8,150	\$ 13,526
SSARs and non-qualified stock option expense	41	682	1,973
Total stock-based compensation expense	\$ 11,557	\$ 8,832	\$ 15,499
Income tax benefit recognized for stock-based compensation expense	\$ 4,392	\$ 3,342	\$ 6,062

The Company recognizes the effect of expected forfeitures of equity grants by estimating an expected forfeiture rate for grants of equity instruments. Amounts recognized for expected forfeitures are subsequently adjusted periodically and at major vesting dates to reflect actual forfeitures.

The incremental income tax benefits realized upon the exercise or vesting of equity instruments are reported as financing cash flows. During the years ended June 30, 2014, 2013, and 2012, the Company recognized \$4.7 million, \$1.6 million, and \$0.4 million of excess tax benefits, respectively, which have been reported as financing cash inflows in the accompanying consolidated statements of cash flows.

Equity Grants and Valuation

Under the terms of its 2006 Stock Incentive Plan (the 2006 Plan), the Company may issue, among others, non-qualified stock options, restricted stock, RSUs, SSARs, and performance awards, collectively referred to herein as equity instruments. During the periods presented, all equity instrument grants were made in the form of RSUs. Annual grants under the 2006 Plan are generally made to the Company's key employees during the first quarter of the Company's fiscal year and to members of the Company's Board of Directors during the second quarter of the Company's fiscal year. With the approval of its Chief Executive Officer, the Company also issues equity instruments to strategic new hires and to employees who have demonstrated superior performance.

In September 2013, the Company made its annual grant to key employees consisting of 202,170 Performance-based Restricted Stock Units (RSUs). The final number of such RSUs that will be considered earned by participants and vest is based on the achievement of a specified net after tax profit (NATP) for the year ended June 30, 2014 and on the average share price of Company stock for the 90 day period ending September 13, 2014 as compared to the average share price for the 90 day period ended September 13, 2013. No RSUs will be earned if the specified NATP for the fiscal year ending June 30, 2014 is not met. If NATP for the year ending June 30, 2014 exceeds the specified NATP and the average share price of the Company's stock for the 90 day period ending September 13, 2014 exceeds the average share price of the Company's stock for the 90 day period ended September 13, 2013 by 100 percent or more, then an additional 202,170 RSUs could be earned by participants. This is the maximum number of additional RSUs that can be earned related to the September

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2013 annual grant. The specified NATP for the year ended June 30, 2014 was met. In addition to the performance and market conditions, there is a service vesting condition which stipulates that 50 percent of the earned award will vest on September 1, 2016 and 50 percent of the earned award will vest on September 1, 2017, in both cases dependent upon continuing service by the grantee as an employee of the Company, unless the grantee is eligible for earlier vesting upon retirement, as defined.

The Company also issues equity instruments in the form of RSUs under its Management Stock Purchase Plan (MSPP) and Director Stock Purchase Plan (DSPP). In addition, annual grants are made to members of the Company's Board of Directors in the form of a set dollar value of RSUs. Grants to members of the Board of Directors vest based on the passage of time and continued service as a Director of the Company.

Upon the exercise of stock options and SSARs and the vesting of restricted shares and RSUs, the Company fulfills its obligations under the equity instrument agreements by either issuing new shares of authorized common stock or by issuing shares from treasury. The total number of shares authorized by shareholders for grants under the 2006 Plan and its predecessor plan was 12,450,000 as of June 30, 2014. The aggregate number of grants that may be made may exceed this approved amount as forfeited SSARs, stock options, restricted stock and RSUs, and vested but unexercised SSARs and stock options that expire, become available for future grants. As of June 30, 2014, cumulative grants of 13,166,042 equity instruments underlying the shares authorized have been awarded, and 4,106,751 of these instruments have been forfeited.

Non-qualified stock options granted prior to January 1, 2004 lapse and are no longer exercisable if not exercised within ten years of the date of grant. Equity instruments granted on or after January 1, 2004 have a term of seven years. For SSAR and stock option awards, grantees whose employment has terminated have 60 days after their termination date to exercise vested SSARs and stock options, or they forfeit their right to the instruments. Grantees whose employment is terminated due to death or permanent disability will vest in 100 percent of their equity instrument grants. Also, effective for grants made on or after July 1, 2004, grantees who were age 62 on or before July 1, 2008 who retire on or after age 65 will vest in 100 percent of their equity instrument grants upon retirement, with the exception of performance-based RSUs, which must be held at least until the measurement period is complete. Grantees who were not age 62 on or before July 1, 2008, who retire on or after age 62, vest in a prorated portion of their equity instrument grants upon retirement, based upon their service during the vesting period.

Stock options vest ratably over a three, four, or five year period, depending on the year of grant. Restricted shares and most non-performance-based RSUs vest in full three years from the date of grant. RSUs granted to the Company's Chief Executive Officer in February 2013 and to the Company's Chief Operating Officer in February 2012 have longer vesting periods. SSARs granted in prior years as part of the Company's then customary annual award vest ratably over a five year period in a manner consistent with the vesting of stock options.

Other than performance-based RSUs which contain a market-based element, the fair value of RSU grants is determined based on the closing price of a share of the Company's common stock on the date of grant. The fair value of RSUs with market-based vesting features is also measured on the grant date, but is done so using a binomial lattice model. The weighted-average fair value of RSUs granted during the years ended June 30, 2014, 2013, and 2012, was \$72.17, \$59.07, and \$47.34, respectively.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

No stock options or SSARs were granted during the years ended June 30, 2014, 2013 or 2012. Activity for all outstanding SSARs and stock options, and the corresponding exercise price and fair value information, for the years ended June 30, 2014, 2013, and 2012, is as follows:

	Number of Shares	Exercise Price		Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding, June 30, 2011	2,110,304	\$34.10	\$65.04	\$ 52.78	\$ 20.77
Exercisable, June 30, 2011	1,177,209	34.10	65.04	55.19	22.17
Exercised	(365,306)	34.10	62.48	48.72	19.10
Forfeited	(32,630)	45.77	54.39	48.64	17.95
Expired	(28,670)	48.83	62.48	60.20	19.19
Outstanding, June 30, 2012	1,683,698	34.10	65.04	53.62	21.21
Exercisable, June 30, 2012	1,362,451	34.10	65.04	54.79	22.01
Exercised	(838,618)	34.10	58.40	48.76	18.93
Forfeited	(10,350)	42.95	49.36	48.37	17.03
Expired	(559,180)	36.13	65.04	63.46	26.51
Outstanding, June 30, 2013	275,550	37.67	59.30	48.62	17.54
Exercisable, June 30, 2013	243,170	37.67	59.30	48.58	17.60
Exercised	(180,370)	45.77	49.36	48.53	17.81
Forfeited	(1,150)		49.36	49.36	17.12
Expired	(2,080)		49.36	49.36	17.12
Outstanding, June 30, 2014	91,950	37.67	59.30	48.77	17.02
Exercisable, June 30, 2014	91,950	\$37.67	\$59.30	\$ 48.77	\$ 17.02

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Changes in the number of unvested SSARs and stock options and in unvested restricted stock and RSUs during each of the years in the three-year period ended June 30, 2014, 2013 and 2012, together with the corresponding weighted-average fair values, are as follows:

	SSARs and Stock Options		Restricted Stock and Restricted Stock Units	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at June 30, 2011	933,095	\$ 18.99	1,322,101	\$ 45.23
Granted			817,918	47.34
Vested	(579,218)	19.72	(266,658)	48.09
Forfeited	(32,630)	17.95	(222,040)	46.59
Unvested at June 30, 2012	321,247	17.80	1,651,321	45.97
Granted			605,277	59.07
Vested	(278,517)	17.92	(347,497)	47.27
Forfeited	(10,350)	17.03	(866,355)	53.04
Unvested at June 30, 2013	32,380	17.02	1,042,746	47.74
Granted			254,356	72.17
Vested	(31,230)	17.02	(360,857)	45.07
Forfeited	(1,150)	17.12	(98,003)	54.94
Unvested at June 30, 2014		\$	838,242	\$ 55.39

Information regarding the cash proceeds received, and the intrinsic value and total tax benefits realized resulting from stock option exercises is as follows (in thousands):

	Year ended June 30,		
	2014	2013	2012
Cash proceeds received	\$	\$ 13,050	\$ 7,466
Intrinsic value realized	\$ 3,868	\$ 6,594	\$ 3,865
Income tax benefit realized	\$ 1,470	\$ 2,595	\$ 1,521

The total intrinsic value of RSUs that vested during the years ended June 30, 2014, 2013, and 2012 was \$23.1 million, \$17.6 million and \$13.4 million, respectively, and the tax benefit realized for these vestings was \$8.8 million, \$6.9 million and \$5.3 million, respectively.

The grant date fair value of stock options that vested during each of the years in the three-year period ended June 30, 2014 was \$0.5 million, \$5.0 million, and \$11.4 million, respectively.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Outstanding SSAR and Stock Option Information***

Information regarding the SSARs and stock options outstanding and exercisable as of June 30, 2014, is as follows (intrinsic value in thousands):

Range of exercise Price	SSARs and Options Outstanding and Exercisable			
	Number of Instruments	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value
\$30.00-\$39.99	6,400	\$ 37.67	1.14	\$ 208
\$40.00-\$49.99	75,550	48.31	0.98	1,655
\$50.00-\$59.99	10,000	59.30	0.56	109
	91,950			\$ 1,972

As of June 30, 2014, there was no unrecognized compensation cost related to SSARs and stock options and \$21.5 million of unrecognized compensation cost related to restricted stock and RSUs scheduled to be recognized over a weighted-average period of 3.1 years.

Stock Purchase Plans

The Company adopted the 2002 Employee Stock Purchase Plan (ESPP), MSPP and DSPP in November 2002, and implemented these plans beginning July 1, 2003. There are 1,250,000, 500,000, and 75,000 shares authorized for grants under the ESPP, MSPP and DSPP, respectively.

The ESPP allows eligible full-time employees to purchase shares of common stock at 95 percent of the fair market value of a share of common stock on the last day of the quarter. The maximum number of shares that an eligible employee can purchase during any quarter is equal to two times an amount determined as follows: 20 percent of such employee's compensation over the quarter, divided by 95 percent of the fair market value of a share of common stock on the last day of the quarter. The ESPP is a qualified plan under Section 423 of the Internal Revenue Code and, for financial reporting purposes, was amended effective July 1, 2005 so as to be considered non-compensatory. Accordingly, there is no stock-based compensation expense associated with shares acquired under the ESPP. As of June 30, 2014, participants have purchased 991,197 shares under the ESPP, at a weighted-average price per share of \$47.46. Of these shares, 52,964 were purchased by employees at a weighted-average price per share of \$66.00 during the year ended June 30, 2014. During the year ended June 30, 2013, the Company established a 10b5-1 plan to facilitate the open market purchase of shares of Company stock to satisfy its obligations under the ESPP.

The MSPP provides those senior executives with stock holding requirements a mechanism to receive RSUs in lieu of up to 100 percent of their annual bonus. For the fiscal years ended June 30, 2014, 2013 and 2012, RSUs awarded in lieu of bonuses earned are granted at 85 percent of the closing price of a share of the Company's common stock on the date of the award, as reported by the New York Stock Exchange. RSUs granted under the MSPP vest at the earlier of 1) three years from the grant date, 2) upon a change of control of the Company, 3) upon a participant's retirement at or after age 65, or 4) upon a participant's death or permanent disability. Vested RSUs are settled in shares of common stock. The Company recognizes the value of the discount applied to RSUs granted under the MSPP as stock compensation expense ratably over the three-year vesting period.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The DSPP allows directors to elect to receive RSUs at the market price of the Company's common stock on the date of the award in lieu of up to 100 percent of their annual retainer fees. Vested RSUs are settled in shares of common stock.

Activity related to the MSPP and the DSPP during the year ended June 30, 2014 is as follows:

	MSPP	DSPP
RSUs outstanding, June 30, 2013	29,291	137
Granted	542	
Issued	(13,832)	(137)
Forfeited	(2,201)	
RSUs outstanding, June 30, 2014	13,800	
Weighted average grant date fair value as adjusted for the applicable discount	\$ 43.99	
Weighted average grant date fair value		\$

NOTE 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Company's financial assets and liabilities recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

Level 1 Inputs unadjusted quoted prices in active markets for identical assets or liabilities.

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

Level 2 Inputs unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 Inputs amounts derived from valuation models in which unobservable inputs reflect the reporting entity's own assumptions about the assumptions of market participants that would be used in pricing the asset or liability.

As of June 30, 2014 and 2013, the Company's financial instruments measured at fair value included non-COLI money market investments and mutual funds held in the Company's supplemental retirement savings plan (the Supplemental Savings Plan), interest rate swaps and contingent consideration in connection with business combinations.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and 2013, and the level they fall within the fair value hierarchy (in thousands):

Description of Financial Instrument	Financial Statement Classification	Fair Value Hierarchy	As of June 30,	
			2014	2013
			Fair Value	
Non-COLI assets held in connection with the Supplemental Savings Plan	Long-term asset	Level 1	\$	\$ 830
Contingent Consideration	Current liability	Level 3	\$	\$ 2,977
Interest rate swap agreements	Other long-term liabilities	Level 2	\$ 7,774	\$ 1,765

Changes in the fair value of the assets held in connection with the Supplemental Savings Plan are recorded in indirect costs and selling expenses.

Contingent consideration at June 30, 2013 related to the requirement that the Company pay contingent consideration in the event that TCL achieved certain specified earnings results during the one year period subsequent to acquisition (see Note 4). The Company determined the fair value of contingent consideration using a valuation model which included the evaluation of all possible outcomes and the application of an appropriate discount rate. At the end of each reporting period, the fair value of the contingent consideration was remeasured and any changes were recorded in indirect costs and selling expenses. During the years ended June 30, 2014 and 2013, this remeasurement did not result in a significant change to the liability initially recorded. The maximum contingent consideration associated with the TCL acquisition was approximately \$6.0 million. During the year ended June 30, 2013, the Company determined the maximum contingent consideration possible had been earned. One-half of this amount was paid to the former shareholders of TCL in February 2013 and the other one-half was paid in February 2014.

During the years ended June 30, 2012 and 2014, the Company entered into interest rate swap agreements to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. To comply with the provisions of ASC 820, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

NOTE 23. EARNINGS PER SHARE

Earnings per share and the weighted-average number of diluted shares are computed as follows (in thousands, except per share data):

Year ended June 30,

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

	2014	2013	2012
Net income attributable to CACI	\$ 135,316	\$ 151,689	\$ 167,454
Weighted-average number of basic shares outstanding during the period	23,429	23,010	27,077
Dilutive effect of SSARs/stock options and RSUs/restricted shares after application of treasury stock method	441	743	879
Dilutive effect of the Notes	1,285	132	111
Dilutive effect of accelerated share repurchase agreement			44
Weighted-average number of diluted shares outstanding during the period	25,155	23,885	28,111
Basic earnings per share	\$ 5.78	\$ 6.59	\$ 6.18
Diluted earnings per share	\$ 5.38	\$ 6.35	\$ 5.96

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The total number of weighted-average common stock equivalents excluded from the diluted per share computations due to their anti-dilutive effects for the years ended June 30, 2013 and 2012, were seventeen thousand and 0.7 million, respectively. There were no such effects for the year ended June 30, 2014 because the Company's average stock price exceeded the exercise price of all shares outstanding. The calculation of diluted earnings per share for the year ended June 30, 2014 includes the shares underlying the performance-based RSUs granted in September 2013, September 2011 and September 2010. The shares underlying the performance-based RSUs granted in September 2012 are excluded in the calculation of diluted earnings per share for the years ended June 30, 2014 and 2013, as the NATP performance metric associated with the shares was not met and no shares were issued under this grant. On May 1, 2014 the Company issued 1.4 million shares of common stock in accordance with the Notes and received 1.4 million shares of our common stock pursuant to the terms of the call option hedge transaction. The contingently issuable shares that may have resulted from the conversion of the Notes were included in the Company's diluted share count for the fiscal years ended June 30, 2014, 2013 and 2012 because the Company's average stock price during the first, second, and third quarters of the year ended June 30, 2014, during the first, third and fourth quarters of the year ended June 30, 2013, and during the third quarter of the year ended June 30, 2012 was above the conversion price of \$54.65 per share. The contingently issuable shares that may result from the maturity of the Warrants were included in the computation of diluted earnings per share because the Company's average stock price during the second, third, and fourth quarters of the year ended June 30, 2014 was greater than the Warrants' exercise price of \$68.31. The Warrants were excluded from the computation of the Company's diluted earnings per share for the years ended June 30, 2013 and 2012 because the Warrants' exercise price was greater than the average market price of a share of Company common stock.

On August 29, 2011, the Company entered into an accelerated share repurchase agreement with Bank of America N.A. (BofA) under which it paid an initial \$209.7 million for four million shares of the Company's common stock. The Company settled the accelerated share repurchase agreement in May 2012 by paying BofA an additional \$16.3 million. The Company recorded the total amount paid to BofA of \$226.0 million as treasury stock in its consolidated balance sheet as of June 30, 2012. This represents an average price of \$56.51 per share under the accelerated share repurchase agreement.

In June 2012, the Company's Board of Directors approved a share repurchase program of up to four million shares of CACI's common stock. The Company entered into two 10b5-1 plans under which the Company repurchased two million shares of CACI's common stock in June 2012 and two million shares of CACI's common stock in July 2012, at an average price of \$53.72 per share.

Shares outstanding during the year ended June 30, 2013 and 2012, reflect the repurchase of shares of CACI's common stock under the accelerated share repurchase agreement and the 10b5-1 plans described above.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 24. QUARTERLY FINANCIAL DATA (UNAUDITED)**

This data is unaudited, but in the opinion of management, includes and reflects all adjustments that are normal and recurring in nature, and necessary, for a fair presentation of the selected data for these interim periods. Quarterly condensed financial operating results of the Company for the years ended June 30, 2014 and 2013, are presented below (in thousands except per share data).

	Year ended June 30, 2014			
	First	Second	Third	Fourth
Revenue	\$ 864,265	\$ 894,186	\$ 900,393	\$ 905,718
Income from operations	\$ 61,182	\$ 66,454	\$ 60,532	\$ 69,235
Net income attributable to CACI	\$ 32,992	\$ 34,962	\$ 30,828	\$ 36,534
Basic earnings per share	\$ 1.42	\$ 1.49	\$ 1.31	\$ 1.55
Diluted earnings per share	\$ 1.33	\$ 1.38	\$ 1.19	\$ 1.49
Weighted-average shares outstanding:				
Basic	23,314	23,433	23,473	23,498
Diluted	24,835	25,297	25,973	24,517

	Year ended June 30, 2013			
	First	Second	Third	Fourth
Revenue	\$ 931,236	\$ 931,627	\$ 906,196	\$ 912,931
Income from operations	\$ 64,737	\$ 69,582	\$ 68,620	\$ 67,902
Net income attributable to CACI	\$ 35,708	\$ 39,676	\$ 38,367	\$ 37,938
Basic earnings per share	\$ 1.55	\$ 1.74	\$ 1.67	\$ 1.64
Diluted earnings per share	\$ 1.49	\$ 1.69	\$ 1.62	\$ 1.56
Weighted-average shares outstanding:				
Basic	23,032	22,852	23,021	23,136
Diluted	23,980	23,537	23,706	24,318

Table of Contents**SCHEDULE II**

CACI INTERNATIONAL INC
VALUATION AND QUALIFYING ACCOUNTS
FOR YEARS ENDED JUNE 30, 2014, 2013 AND 2012

(in thousands)

	Balance at Beginning of Period	Additions at Cost	Deductions	Other Changes	Balance at End of Period
2014					
Reserves deducted from assets to which they apply:					
Allowances for doubtful accounts	\$ 3,203	\$ 798	\$ (521)	\$ 254	\$ 3,734
2013					
Reserves deducted from assets to which they apply:					
Allowances for doubtful accounts	\$ 3,590	\$ 2,853	\$ (3,176)	\$ (64)	\$ 3,203
2012					
Reserves deducted from assets to which they apply:					
Allowances for doubtful accounts	\$ 3,738	\$ 2,583	\$ (2,689)	\$ (42)	\$ 3,590

Items included as Other Changes primarily includes foreign currency exchange differences.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized, on the 28th day of August 2014.

**CACI International Inc
Registrant**

Date: August 28, 2014

By:

/s/ KENNETH ASBURY
Kenneth Asbury

President

Chief Executive Officer and Director

(Principal Executive Officer)

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

Signatures	Title	Date
/s/ KENNETH ASBURY Kenneth Asbury	President, Chief Executive Officer and Director (Principal Executive Officer)	August 28, 2014
/s/ THOMAS A. MUTRYN Thomas A. Mutryn	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	August 28, 2014
/s/ GREGORY W. BUCKIS, SR. Gregory W. Buckis, Sr.	Senior Vice President, Corporate Controller (Principal Accounting Officer)	August 28, 2014
/s/ DR. J. P. LONDON Dr. J. P. London	Chairman of the Board, Executive Chairman	August 28, 2014
/s/ MICHAEL A. DANIELS Michael A. Daniels	Director	August 28, 2014
/s/ JAMES S. GILMORE, III James S. Gilmore, III	Director	August 28, 2014

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-K

/s/ WILLIAM L. JEWS

Director

August 28, 2014

William L. Jews

/s/ GREGORY G. JOHNSON

Director

August 28, 2014

Adm Gregory G. Johnson, USN (Ret.)

/s/ JAMES L. PAVITT

Director

August 28, 2014

James L. Pavitt

Table of Contents

Signatures	Title	Date
/s/ DR. WARREN R. PHILLIPS Dr. Warren R. Phillips	Director	August 28, 2014
/s/ CHARLES P. REVOILE Charles P. Revoile	Director	August 28, 2014
/s/ WILLIAM S. WALLACE Gen William S. Wallace, USA (Ret.)	Director	August 28, 2014