2022

ANNUAL REPORT

Kimball International

Kristie Juster
Chief Executive Officer,
Kimball International

"Our journey over the last year demonstrates not only our transformational mindset, and our ability to navigate external factors but also our ability to come together to accelerate growth and create value for all our stakeholders, enabling a successful path ahead."

Letter from the CEO

I am certain that we will look back on fiscal 2022 as one of the most formative years of Kimball International. We made tremendous progress in accelerating our defined set of choices in the Connect 2.0 Strategy, and at the same time navigated the unprecedented external market conditions with focus, agility, and a commitment to long term value creation.

The year unfolded as a tale of two halves. The first half built our confidence that our end markets were starting to return and proof that the recoveries were well underway. We focused quickly on mitigating the ongoing inflationary pressures through our operational excellence programs and necessary pricing actions. Over the course of the second half, we generated accelerated and consistent demand, managed through labor and supply constraint issues, and remained highly committed to being a reliable partner for our customers. Our second half performance marked an inflection point in our financial delivery and provided us with confidence as we enter fiscal 2023. Kimball International emerged from the year with a stronger portfolio of commercial furnishings dedicated to the higher growth segments of Workplace and Health, a new digital direct business in Poppin, and a leading position in Hospitality. Our dominance and expertise in fast-growing secondary geographies, and our strong and comprehensive ancillary product offering and family of brands provide the confidence and momentum for continued growth and market share gains in fiscal 2023.

2022 Performance

Our fiscal 2022 revenue of $665.9 million represents growth of 17% over fiscal 2021, while our second half revenue grew at an accelerated rate of 26% over the prior year. The strong demand across our Workplace and Health portfolio and our focused approach to margin expansion is a testament to the rigor and discipline in our execution excellence. We marked a positive step change in our financial performance in the second half of fiscal 2022, delivering an industry-leading margin recovery, full year adjusted EBITDA growth of 15% to $34.1 million, and full year adjusted EPS growth of 30% to $0.35 in fiscal 2022.

Our commitment to cost savings delivered $13.6 million of transformational savings and allowed us to reinvest these funds in future growth and capability building. In fiscal 2022 we opened three new Poppin showrooms in secondary markets, built a new state-of-the-art warehouse in Jasper, Indiana, installed advanced automation capabilities in our metal manufacturing facilities, expanded our selling organization, and redesigned our customer service organization to deliver excellence in personalized, reliable, and responsive service. In addition to these investments, we returned $16.3 million of capital to shareholders in the form of dividends and share repurchases.

Connect 2.0 Strategy and Our Year of Achievements

Our Connect 2.0 Strategy is centered on four pillars: Inspiring our People, Building our Capabilities, Fueling our Future, and Accelerating our Growth. Fiscal 2022 marks the second year of executing this strategy around our belief in targeting the selected end markets of Workplace, Health, and Hospitality with a family of seven brands focused on design driven commercial furnishings. Over 75% of our volume occurs in fast-growing secondary markets and 87% of our sales are in ancillary products that foster collaboration, flexibility, and connection.

The ever-evolving workspace trends require a distinct focus on new product development and a dedicated integration into our customized solutions for both Workplace and Health. In fiscal 2022, innovative new products launched over the last three years accounted for 23% of Workplace and Health sales and allowed us to expand further in newly forming workplaces and the evolution of healthcare delivery.

In early 2022, we integrated our five Workplace and Health brands into a go-to-market selling strategy, Perfect Harmony. This strategy offers a much broader set of options, more cohesiveness, and more design possibilities than ever before, and was received with outsized adoption responses from both our customers and our dealer community.

Poppin represents an important growth driver for our overall company. The core direct, digital B2B business allows us to broaden our customer landscape and expand into a direct channel reach. Over the last year we have successfully introduced Poppin into additional secondary markets through the opening of three new showrooms, built an integrated new dealer business called Poppin Pro that is 15% of the total Poppin brand, and launched Poppin Pods which is an exciting new and relevant category to Kimball International.

Over the course of last year, our research, insights, and conversations with customers combined with a reflection on our own journey around what it takes to create an equitable, inclusive, flexible, and safe workplace have led to our point of view on "Creating Spaces to Belong." A collection of tools, insights, stories, conversations, and inspiration, "Creating Spaces to Belong" will help our clients create their places of belonging as we move forward into the future of Workplace, Health, and Hospitality environments.

I am also tremendously proud of what we have been able to accomplish to advance our ESG goals over the last year. Our purpose, "Dare to be Makers of Possibility" has guided our beliefs in doing what is right to build communities, form connections and develop a sense of belonging. In September 2022, we will be publishing our ESG report, sharing our focus and our commitments in creating a more sustainable future.

Outlook

Fiscal 2022 demonstrated the continued strength of our product offering and its relevance to the prevailing and emerging trends in today's marketplaces. We believe that our focused set of strategic choices will lead to further significant revenue and profitability gains as we progress through fiscal 2023, which we expect to be another year of robust growth. Our confidence is supported by the relevance of our portfolio to the Workplace and Health end markets that account for more than 85% of our revenues, our ability to gain share with our emphasis on ancillary products and fast-growing secondary markets, and the many opportunities we see on the horizon to unleash our full potential by scaling and leveraging Poppin.

The Kimball International journey over the last year demonstrates not only our transformational mindset, and our ability to navigate external factors but also our ability to come together to accelerate growth and create value for all our stakeholders, enabling a successful path ahead. With this in mind, I would like to especially thank and acknowledge our employees for their hard work and dedication – they truly dare to be makers of possibility each and every day.

Kristine L Juster

Kristine L. Juster,
Chief Executive Officer

A BOLD ENTREPRENEURIAL SPIRIT

Our story started in 1950 as an upstart company with a vision to be more. That vision became the foundation that guides us today and inspires the culture we cultivate.

With an ambitious drive to create unique chapters as we move forward, we dare to design new and relevant solutions. Our story continues to evolve.

Kimball® NATIONAL®

Etc. interwoven™ poppin®

Kimball® Hospitality D'STYLE

Workplace

Kimball International is a leading omnichanel commercial furnishings company that offers a complete portfolio of workplace solutions through our Kimball, National, Etc., and Poppin brands. Research and insights inform our product designs while our bold entrepreneurial spirit and history of craftsmanship turn ordinary spaces into meaningful places.

Health

Our health focused brand, Interwoven, delivers human-centered products and custom capabilities to patients, families, staff, and communities. Through research-informed design and consultative partnerships, we create innovative solutions and offer expertise that improves the delivery of care.

Hospitality

Offering best-in-class products to designers, buyers, and owners in the hospitality industry, our Kimball Hospitality brand delivers an all-inclusive experience from design concepts to installation. As one of the largest North American suppliers for the hospitality furniture industry, we offer a service package that is second to none.

eBusiness

With the acquisition of the Poppin brand, our capabilities include end-to-end services from space planning and ease of online ordering to installation services. Poppin easily outfits spaces with a complete collection of solutions and short delivery times.

OUR PEOPLE ARE OUR COMPANY

Kimball International creates an environment where each employee is valued, respected, and treated with dignity.

We believe that diverse voices are essential in creating an organization where every person feels a sense of belonging, and we are committed to creating equity and a sense of inclusion for all. This is our mission and commitment.

Our focus has enabled us to increase the diversity of our Board of Directors and our Executive Leadership Team. We have expanded our access to diverse talent pools through acquisitions like D'style and Poppin and by targeting expansion in locations like Atlanta and secondary markets.

As our local communities have become more diverse, we have embraced bilingual communications and supported charitable causes that promote cultural awareness.

Our Supplier Diversity Program has enabled us to partner with vendors that are forward thinking and aligned to our commitment on diversity and inclusion.

We have embarked on a journey for a revitalized and more formalized Diversity, Equity, Inclusion, and Belonging commitment with a council sponsored by the CEO leading our path forward.

OUR VISION FOR IMPACT

Kimball International is dedicated to building a more sustainable future and making a difference in our communities through five important focus areas.

Environmental Management & Sustainable Products

Human Capital Management: Talent Development

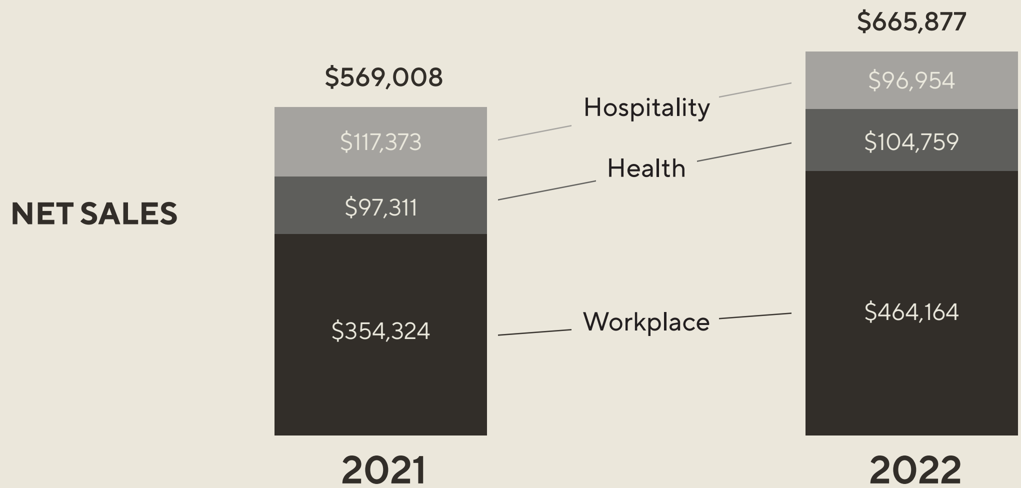
Diversity, Equity, Inclusion & Belonging

Product Quality and Safety

Responsible Supply Chain Management

Visit kimballinternational.com/esg to see the full report

FINANCIAL HIGHLIGHTS



AMOUNTS IN THOUSANDS, EXCEPT FOR PER SHARE DATA	2021	2022
Gross Profit	$182,428	$211,306
Gross Profit %	32.1%	31.7%
Adjusted Gross Profit[1]	$182,964	$213,157
Adjusted Gross Profit %[1]	32.2%	32.0%
Operating Income (Loss)	$1,521	$(14,039)
Operating Income (Loss) %	0.3%	(2.1%)
Adjusted Operating Income[1]	$12,388	$16,524
Adjusted Operating Income %[1]	2.2%	2.5%
Net Income (Loss)	$7,416	$(15,714)
Adjusted Net Income[1]	$10,032	$12,808
Diluted Earnings (Loss) Per Share	$0.20	$(0.43)
Adjusted Diluted Earnings Per Share [1]	$0.27	$0.35
Adjusted EBITDA	$29,727	$34,089
Adjusted EBITDA %[1]	5.2%	5.1%
Dividends Declared Per Share	$0.36	$0.36

[1]These items represent Non-GAAP measurements, and the reconciliations to the closest comparable GAAP measures are included in the Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our Annual Report on Form 10-K included herein.

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, 2022

OR

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

For the transition period from ______ to ______

Commission File Number 0-3279

KIMBALL INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Indiana	**35-0514506**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1600 Royal Street, Jasper, Indiana	**47546-2256**
(Address of principal executive offices)	*(Zip Code)*

(812) 482-1600

Registrant's telephone number, including area code

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

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, par value $0.05 per share	KBAL	The Nasdaq Stock Market LLC

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

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

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

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

Class A Common Stock is not publicly traded and, therefore, no market value is available, but it is convertible on a one-for-one basis into Class B Common Stock. The aggregate market value of the Class B Common Stock held by non-affiliates, as of December 31, 2021 (the last business day of the Registrant's most recently completed second fiscal quarter) was $364.1 million, based on 97.8% of Class B Common Stock held by non-affiliates.

The number of shares outstanding of the Registrant's common stock as of August 18, 2022 was:

Class A Common Stock - 167,489 shares
Class B Common Stock - 36,599,289 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on October 21, 2022 are incorporated by reference into Part III.

KIMBALL INTERNATIONAL, INC.

FORM 10-K INDEX

PART I

Forward-Looking Statements

This document contains certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These are statements made by management, using their best business judgment based upon facts known at the time of the statements or reasonable estimates, about future results, plans, or future performance and business of the Company. Such statements involve risk and uncertainty, and their ultimate validity is affected by a number of factors, both specific and general. They should not be construed as a guarantee that such results or events will, in fact, occur or be realized as actual results may differ materially from those expressed in these forward-looking statements. The statements may be identified by the use of words such as "believes," "anticipates," "expects," "intends," "plans," "projects," "estimates," "forecasts," "targets," "seeks," "likely," "future," "may," "might," "should," "would," "will," and similar expressions. It is not possible to foresee or identify all factors that could cause actual results to differ from expected or historical results. We make no commitment to update these factors or to revise any forward-looking statements for events or circumstances occurring after the statement is issued, except as required in current and quarterly periodic reports filed with the Securities and Exchange Commission ("SEC") or otherwise by law. These forward-looking statements are subject to risks and uncertainties including, but not limited to, the possibility that any of the anticipated benefits of acquisitions will not be realized or will not be realized within the expected time period; the risk that any projections or guidance by the Company, including revenues, margins, earnings or any other financial results are not realized; a shortage of manufacturing labor and related cost; disruptions in our supply chain and freight channels including impacts on cost and availability; adverse changes in global economic conditions; successful execution of the second phase of our restructuring plan; significant reduction in customer order patterns; loss of key suppliers; relationships with strategic customers and product distributors; change in the regulatory environment; global health concerns (including the impact of the COVID-19 pandemic); or similar unforeseen events. Additional risks and uncertainties discussed in Item 1A - Risk Factors of this report could also cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business. Any such risks could cause our results to differ materially from those expressed in forward-looking statements.

At any time when we make forward-looking statements, we desire to take advantage of the "safe harbor" which is afforded such statements under the Private Securities Litigation Reform Act of 1995 where factors could cause actual results to differ materially from forward-looking statements.

Item 1 - *Business*

As used herein, the terms "Company," "Kimball International," "we," "us," or "our" refer to Kimball International, Inc., the Registrant, and its subsidiaries. Reference to a year relates to a fiscal year, ended June 30 of the year indicated, rather than a calendar year unless the context indicates otherwise. Additionally, references to the first, second, third, and fourth quarters refer to those respective quarters of the fiscal year indicated.

General Description of Business

Overview

Kimball International is a leading omnichannel commercial furnishings company with deep expertise in the Workplace, Health and Hospitality markets. We combine our bold entrepreneurial spirit, a history of craftsmanship, and today's design-driven thinking alongside a commitment to our culture of caring and lasting connections with our customers, shareholders, employees and communities. For over 70 years, our brands have seized opportunities to customize solutions into personalized experiences, turning ordinary spaces into meaningful places. Our family of brands includes Kimball, National, Etc., Interwoven, Poppin, Kimball Hospitality, and D'style. Our corporate headquarters is located at 1600 Royal Street, Jasper, Indiana. We serve our customers through three end markets: hospitality, health, and workplace. Our workplace end market includes sales to the commercial, financial, government and education vertical markets and eBusiness. Our values and high integrity are demonstrated daily by living our purpose and guiding principles that establish us as an employer of choice.

Recent Business Changes

Operating Environment

While inflationary pressures and supply chain disruptions continued to increase production costs, higher volumes and the benefit of increased prices together with our ongoing cost-out initiatives positively impacted our fiscal year 2022 results. We continue to believe our principal sources of liquidity from available funds on hand, cash generated from operations, and the availability of borrowing under our revolving credit facility will be sufficient to meet our working capital and other operating needs for at least the next twelve months. The following are key uncertainties related to the COVID-19 pandemic and other operational impacts:

- Labor constraints - A shortage of manufacturing labor is a limiting factor for our production. In addition to limiting the volume of production, the labor shortage also may drive increased labor costs driven by both increased wages and overtime expenses.
- Supply constraints - We are experiencing inflationary pressure on our materials coupled with supplier volatility as certain suppliers are also experiencing material and labor shortages. We are working to offset these issues through price increases on our products, supplier negotiations, global sourcing initiatives, make-versus-buy analyses, product re-engineering and parts standardization. To avoid future gross margin compression as we experience inflationary pressure on our manufacturing inputs, timely adjustments to customer prices may be necessary.
- Shipping disruptions - We expect to continue to be exposed to fluctuations in both domestic freight and ocean freight costs. Transportation costs are managed by optimizing logistics and supply chain planning, but the current freight rate levels are elevated such that significant year-over-year increases occurred during the second half of our fiscal year 2021 and fiscal year 2022 and are expected to remain elevated. We intend to adjust customer pricing, including the use of temporary surcharges, as necessary to mitigate increased freight costs.
- Return-to-office variation - Widespread variation in return-to-office policies and timelines across the nation continue to drive fluctuation in demand for our products.

'Kimball International Connect' Strategy

In May 2019, Kimball International introduced a comprehensive strategy to connect our purpose, our people, and our brands to drive growth and unlock the Company's full potential. Kimball International Connect seeks to enable the power of our people and position our organization to engage at higher levels of collaboration and interdependence.

Our Kimball International Connect Strategy is comprised of four pillars:

- **Inspire Our People:** Leveraging our legacy of a bold and entrepreneurial spirit, we are working to cultivate a high-performance, caring culture. We are investing in our training, technology and systems to remain an employer of choice and a great place to work.
- **Build Our Capabilities:** We created center-led functions, including finance, human resources, information technology and legal and centralized supply chain leadership to reduce duplication, deliver efficiencies, and drive consistency. We are also adopting new ways of working to ensure the use of common best practices and approaches.
- **Fuel Our Future:** We are driving lean throughout the organization, removing duplication at the business level, and infusing capital to accelerate efficiencies. Related to this, we are employing a more metrics-based approach and driving toward more formal standardized operating practices.
- **Accelerate Our Growth:** We are continuing to advance new product development across our brands, selectively expanding our verticals and channels, including health and e-commerce, and driving commercial excellence. We believe by being our customers' first choice for shaping places that bring collaboration, discovery, wellness and relaxation to life, we will capture greater market share.

'Kimball International Connect 2.0' Strategy

In August 2020, Kimball International announced Connect 2.0, which centers around accelerating our growth. The four pillars of our previously announced strategy remain constant: inspire our people with a purpose driven and high-performance culture, build our capabilities by expanding our work on innovation, fuel our future through the dedication to cost savings, and accelerate our growth. Connect 2.0 is designed to accelerate the growth of Kimball International and enable us to effectively manage through the current economic downturn, by driving market share gains as well as yielding additional cost savings. The Company has been reorganized into four market centric business units which are Workplace, Health, Hospitality, and eBusiness that will accelerate our ability to redesign and reimagine the new workplace, build a new work from home portfolio, continue assembling experts in health, and expand our hospitality business into other commercial direct sales environments. The dedicated eBusiness unit will take a leadership role in establishing all e-commerce across our brands and end markets. Each of these four business units will be supported by the agility and efficiency of Global Operations and the streamlined center-led structure that we implemented in year one of our strategy and the transformation restructuring plan described below.

Transformation Restructuring Plan

In August 2020, we announced the second phase of our transformation restructuring plan that will align our business units to a new market-centric orientation and is expected to yield additional cost savings that will aid us to effectively manage through the downturn caused by the COVID-19 pandemic. The current phase of the transformation restructuring plan builds on the initial strategy and the first phase of our transformation restructuring plan announced in June 2019 and substantially completed as of June 30, 2021. We expect a substantial majority of the underlying activities of these aforementioned actions to be completed by the end of our fiscal year 2023. The following is a summary of the activities we are undertaking pursuant to phase 2 of the transformation restructuring plan:

- As part of the previously announced plan to consolidate manufacturing of all brands into one world-class global operations group, we are streamlining our manufacturing facilities by leveraging production capabilities across all facilities, establishing centers of excellence, and setting up processes to facilitate flexing of product between facilities in response to volume fluctuations. We are also reviewing our overall facility footprint to identify opportunities to reduce capacity and gain efficiencies, including the consolidation of our Baltimore, Maryland facility into other manufacturing facilities and the closure of our leased Tijuana, Mexico hospitality product manufacturing facility and Chula Vista, California warehouse.
- We streamlined our workforce to align with the new organizational structure and lower volumes during the COVID-19 pandemic, creating a more efficient organization to deliver on our Connect 2.0 strategy. During fiscal year 2021, we offered two voluntary retirement incentive programs to eligible employees.
- During fiscal year 2022, many of our showrooms have been revamped to now feature our family of brands thus eliminating the need for multiple showrooms in the same city.

Acquisition of Poppin, Inc.

On December 9, 2020, we acquired Poppin, a tech-enabled, market-leading B2B commercial furniture design company headquartered in New York City, New York. Poppin designs commercial-grade furniture that is made to mix, match, and scale in today's modern office and work-from-home environments.

Sales and Offerings

We have been in the furniture business since 1950. Our end markets include workplace, health, and hospitality. Our workplace end market includes sales to the commercial, financial, government and education vertical markets and eBusiness. Through each of our brands, we offer a wide range of possibilities for creating functional environments that convey just the right image for each unique setting, as furniture solutions are tailored to the specific end user's needs and demands. Our family of brands includes Kimball, National, Etc., Interwoven, Poppin, Kimball Hospitality, and D'Style.

Kimball, National and Etc.

The Kimball International family of brands offer thoughtful design and product solutions that are flexible, adaptable and comfortable. Our workplace environment product offerings include desks/workstations, benching, seating, lounge, storage, tables, and casegoods. Kimball design-driven systems and ancillary furniture products transform ordinary workspaces into inspiring places, and National ancillary furniture products create warm inviting spaces at an exceptional value. Etc. offers on-trend workspace furniture inspired by global trends in silhouette, color and material available for quick delivery. While our rich heritage of wood craftsmanship remains, our product portfolio incorporates the use of mixed materials, satisfying the marketplace's need for multi-functional, open accommodations throughout all industries. Our furniture solutions are used in collaborative and open workspaces, conference and meeting/huddle rooms, training rooms, private offices, learning areas, classrooms, lobby/reception areas, and dining/café areas with a vast mix of wood, metal, laminate, paint, fabric, solid surface, and plastic options. Our versatile and movable furniture solutions allow spaces to easily transition to support different functions throughout the course of a day. As the need to work from home continues, we are offering a work-from-home portfolio to help redefine the future of work.

Interwoven

We offer Interwoven products specifically designed to improve patient and guest comfort at all types of healthcare facilities. Our full facility health solutions products are focused on meeting healthcare professional needs and preferences in flexible, adaptable, and collaborative spaces while putting the patient at the center of care. Our furnishings enable exam rooms to be a flexible space that can be used for consultation, telehealth and specific treatments or examinations. The products offered for areas surrounding the treatment areas are designed to be welcoming and relaxing to support the families of the patients. By providing thoughtful and purposeful solutions, we enable our clients to safely care for their patients, families, staff and community.

Poppin

Poppin products are designed to make outfitting the office easy. This effortless one-stop solution for the customer's entire workspace, including working from home, school and on-the-go applications, offers commercial-grade office furniture and supplies with a focus on lowering prices and reducing delivery times. Poppin markets and sells products online and also has showrooms for customers to view the products. Building our collection like a family, with a common elemental aesthetic, we design products that perform and feel at home in any environment. Products include, but are not limited to, desks and benching, adjustable height desks, office chairs and stools, file cabinets, tables, lounge seating, PoppinSpaces and PoppinPods.

Kimball Hospitality and D'Style

In the hospitality industry, Kimball Hospitality ("Hospitality") works with leading designers, purchasing agents, and hotel owners to create furniture that extends the unique ambiance of a property into guest rooms and public spaces by providing furniture solutions for hotel properties and mixed use commercial and residential developments. D'Style offers custom hospitality furniture, which is created in collaboration with the leading designers, design firms, purchasing agents and owners to create artful and beautifully crafted furniture. Hospitality and D'Style products include, but are not limited to, headboards, tables, seating, vanities, casegoods, lighting, and products enhanced with technology features utilizing a broad mix of wood, metal, stone, laminate, finish, glass, and fabric options.

Markets

Marketing Channels

Our workplace and health furniture is marketed to end users by employee sales representatives, office furniture dealers, wholesalers, brokers, designers, purchasing companies, catalog houses, and in addition to being sold via our aforementioned channels, Poppin products are sold online in a B2B and direct to consumer manner. Our hospitality furniture is marketed to end users primarily by independent sales representatives. Customers can access our products globally through a variety of distribution channels.

We currently categorize our sales by the following end markets:

Workplace - Our workplace end market includes sales to the commercial, financial, government and education vertical markets, and eBusiness. We are a full-facility provider offering products for a variety of commercial applications including: office, collaborative and open plan, home office, lobby-lounge, conferencing and meeting/huddle, training, dining/café, learning, lobby and reception, and other public spaces. Banking and financial offices require affordable, functional, and stylish environments, and our versatile and customizable furnishings offer sophisticated styles for reception areas, employee workspaces, executive offices, and boardrooms. We also supply furniture for federal, state, and local government offices, as well as other government-related entities, and we hold two Federal Supply Service contracts with the General Services Administration ("GSA") that are subject to government subcontract reporting requirements. We partner with multiple general purchasing organizations that assist public agencies such as state and local governments with furniture purchases. Our education products are sold to K-12, higher education, vocational training and other learning institutions, and the products are focused on both enhancing learning and creating social environments. We offer durable, flexible, collaborative, and technology-driven furnishings designed to make students and faculty more productive and comfortable. In addition to larger classroom settings, we equip, lounges and other gathering spaces with versatile furniture that extends learning and socialization with areas designed for individual focus, small group collaboration, and creativity inducing interaction.

Health - Our health end market includes sales to hospitals, clinics, physician office buildings, long-term care facilities, and assisted living facilities throughout the country. Our health product offerings fulfill the specific demands of the clinical, administrative, and public healthcare settings to support patient and caregiver comfort, cleanliness, and efficiency.

Hospitality - We offer a complete package of products for guest rooms and public spaces plus service support to the hospitality industry. We partner with the most recognized hotel brands to meet their specific requirements for properties throughout the world by working with a worldwide manufacturing base to offer the best solution to fulfill the project.

A table showing our net sales by end market is included in Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report on Form 10-K.

Major Competitive Factors

Our products are sold in the contract furniture and hospitality furniture industries. These industries have similar major competitive factors, which include price in relation to quality and appearance, product design, the utility of the product, including adaptability and cleanability, supplier lead time, reliability of on-time delivery, sustainability, and the ability to respond to requests for special and non-standard products. We offer payment terms similar to industry standards and in unique circumstances may grant alternate payment terms.

Certain industries are more price sensitive than others, but all expect on-time, damage-free delivery. In addition to the many options available on our standard furniture products, custom furniture is produced to customer specifications and shipping timelines on a project basis. We offer several programs that include furniture for a variety of spaces with quick-ship options.

Competitors

There are numerous furniture manufacturers competing within the marketplace, with a significant number of competitors offering similar products. Our competition includes furniture manufacturers such as Steelcase Inc., MillerKnoll, Inc., HNI Corporation, and a large number of smaller privately-owned furniture manufacturers, both domestic and foreign-based.

Product Development and Trends

Our robust product development process is comprised of ideation, development, and execution. Research informed design is accomplished through partnering with external research firms and utilizing internal and external design intelligence to gain market insights and obtain design validation. Successful new product introductions fuel the growth of our business as they incorporate evolving customer needs with improved manufacturing efficiencies. Products are tested for performance, quality and compliance with applicable standards and regulations. We invested approximately $11 million, $10 million, and $5 million in research and development related activities in fiscal years 2022, 2021, and 2020, respectively. In addition, we periodically pay royalties to external designers as select products are sold.

Our product designs focus on providing solutions which include addressing trends in the marketplace, such as the evolving flexible workplace environment. Key elements of the evolving flexible workplace include pairing residential elements with highly functional and flexible commercial office offerings that have high cleanability. Within healthcare settings, products are trending toward adaptable designs that are focused on both the patients and the caregivers with a continued focus on cleanability.

Locations

As of June 30, 2022, our products were primarily produced at nine Company-owned or leased manufacturing facilities: six located in Indiana, two in Kentucky, and one in Mexico. We also engage with third-party manufacturers within the U.S. as well as internationally to produce select finished goods and accessories for our brands. As part of our transformation restructuring plan, our leased office and warehouse space in Chula Vista, California and manufacturing and office space in Tijuana Mexico will be exited during fiscal year 2023 as we plan to primarily outsource the D'Style product.

As of June 30, 2022, fifteen furniture showrooms were maintained in nine cities in the United States inclusive of the standalone Poppin showrooms. During fiscal year 2022 we implemented a showroom strategy where we highlight our Kimball, National, Etc., Poppin, and Interwoven brands in shared showroom spaces which eliminates having multiple showrooms in a single city. Office space is leased in Dongguan and Shenzen, both located in the province of Guangdong, China and office space in Ho Chi Minh City, Vietnam to facilitate sourcing of select finished goods and components from the Asia Pacific Region.

Financial information by geographic area for each of the three years in the period ended June 30, 2022 is included in Note 18 - Geographic Information of Notes to Consolidated Financial Statements and is incorporated herein by reference.

Resources

Raw Material Availability

Certain components used in the production of furniture are manufactured internally and are generally readily available, as are other raw materials used in the production of wood and non-wood furniture. Certain fabricated seating components, wood frame assemblies as well as finished furniture products, electrical components, stone, fabrics, and fabricated metal components, which are generally readily available, are sourced on a global scale in an effort to provide quality products at the lowest total cost. We are experiencing inflationary pressure on our materials coupled with supplier volatility as certain suppliers are also experiencing material and labor shortages. We are working to offset these issues through price increases on our products, supplier negotiations, global sourcing initiatives, product re-engineering and parts standardization.

Working Capital

We do not believe that we, or the contract furniture or hospitality furniture industries in general, have any special practices or special conditions affecting working capital items that are significant for understanding our furniture business. We do receive advance payments from customers on select furniture projects, primarily in the hospitality industry.

Intellectual Property

In connection with our business operations, we hold both trademarks and patents in various countries and continuously have additional pending trademarks and patents. The intellectual property which we believe to be the most significant to the Company includes: Kimball, National, D'style, David Edward, Etc. (pending), Poppin, Interwoven (pending), EverySpace, Fringe, Waveworks, Xsite, Narrate, Pairings, Respitality, Work Happy, and Allan Copley Designs, which are all registered trademarks, and the unregistered trademarks Priority and Whittaker. Our patents expire at various times depending on the patent's date of issuance.

Seasonality

The impact of seasonality on our revenue includes lower sales to educational institutions during our second and third fiscal quarters, lower sales of hospitality furniture during times of high hotel occupancy such as the summer months, and lower sales in our third fiscal quarter due to the buying season of the government.

Human Capital

Strategic Workforce Planning

Attracting and retaining talent is a high priority. By understanding current workforce realities, anticipating future needs and issues, and executing tactics and actions, we strive to provide an engaged, sustainable manufacturing and professional workforce in an increasingly competitive market.

Diversity, Equity, Inclusion and Belonging

We recognize that diverse, talented and engaged employees are a key competitive advantage. We promote an environment where each employee is valued, respected, and treated with dignity. We believe a wide array of perspectives, resulting from a diverse culture, promote innovation and build success.

Kimball International is an Equal Employment Opportunity/Affirmative Action employer. We have established policies to promote diversity and non-discriminatory employment practices. We believe that the best policy is one that awards a job to the most qualified person. Kimball International does not discriminate in its employment policies and practices on the basis of age, race, color, religion, national origin, sex, gender, disability, genetic information, sexual orientation, gender identity, status as a protected veteran, or any other legally-protected status. Kimball International is committed to hiring qualified applicants and providing employees with disabilities with reasonable accommodations that do not impose undue hardship.

Talent Development

We are committed to employee and leadership development. Our flagship senior leadership program provides leadership development through coaching, assessments, and experiential action learning projects with direct mentoring from our CEO. We offer a frontline leadership program for emerging managers and leadership roundtables. We also support employee participation in training programs and mentoring programs.

Compensation, Benefits, and Wellness

The goals of our compensation philosophy are to reward performance, align with shareholders' interest, and retain key talent. We offer employee participation in a defined contribution 401(k) plan through our Kimball International Retirement Plan. We offer comprehensive benefits to our U.S. full-time employees, including healthcare, pharmacy, a health savings account, an employee assistance program, dental, vision, short-term and long-term disability insurance, life and dependent insurance, accidental death and dismemberment insurance, critical illness insurance, accident, and hospital indemnity insurance. We also have a health clinic in Indiana which offers on-site and telehealth appointments for employees and dependents.

Employee Counts	As of June 30	
	2022	2021
United States	2,310	2,093
Foreign Countries	100	103
Total Employees	2,410	2,196

Our U.S. operations are not subject to collective bargaining arrangements. Outside of the U.S., approximately 40 employees are represented by worker's unions that operate to promote the interests of workers. We believe that our employee relations are good.

Employee Turnover	Year Ended June 30	
	2022	2021
Voluntary	39.4 %	27.5 %
Involuntary	10.2 %	7.7 %
Health/Retirement	7.1 %	6.0 %
Total Turnover %	56.7 %	41.2 %

We monitor voluntary and involuntary turnover independently on a month-to-month basis, taking actions where we see rates exceed our established targets. Our increase in voluntary turnover is consistent with manufacturing organizations in similar industries, especially the manufacturing workforce due to low unemployment rates and competitive employment options in the rural communities near our manufacturing facilities.

Environment and Energy Matters

Our operations are subject to various federal, state, local, and foreign laws and regulations with respect to environmental matters. We believe that we are in substantial compliance with present laws and regulations and that there are no material liabilities related to such items.

We are committed to conducting business operations in ways that minimize our environmental footprint and use of natural resources while positively impacting the communities we serve. Protecting our natural resources and utilizing environmentally responsible business practices have long been key components of our corporate purpose. Reinforcing our commitment to the environment, two of our showrooms and one non-manufacturing location were designed under the guidelines of the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) for Commercial Interiors program. Our headquarters received the WELL Health-Safety Rating that focuses on operational policies, maintenance protocols, emergency plans and shareholder engagement strategies.

We believe that continued compliance with foreign, federal, state, and local laws and regulations, which have been enacted relating to the protection of the environment, will not have a material effect on our capital expenditures, earnings, or competitive position. We believe capital expenditures for environmental control equipment during the current fiscal year and subsequent fiscal years will not represent a material portion of total capital expenditures.

Available Information

We make available free of charge through our website, www.kimballinternational.com/public-filings, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Our Internet website and the information contained on, or accessible through, such website is not incorporated into this Annual Report on Form 10-K. Additionally, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.SEC.gov.

Item 1A - *Risk Factors*

The following important risk factors could affect future results and events, causing results and events to differ materially from those expressed or implied in forward-looking statements made in this report and presented elsewhere by management from time to time. Such factors may have a material adverse effect on our business, financial condition, and results of operations and should be carefully considered before deciding to invest in, or retain, shares of our common stock. Additional risks and uncertainties that we do not currently know about, we currently believe are immaterial or we have not predicted may also affect our business, financial condition, or results of operations. Because of these and other factors, past performance should not be considered an indication of future performance.

Economic, Financial and Strategic Risk Factors

The COVID-19 pandemic has had and could continue to have, an adverse effect on our business. The COVID-19 pandemic and the actions taken by various governments and third parties to combat the spread of COVID-19 have led to significant disruptions in our manufacturing and distribution operations and our supply chain. Many office workers have been working from home for an extended period of time which has had a negative impact on demand for office furniture and our revenue. Our dealers and suppliers are also experiencing similar negative impacts from the COVID-19 pandemic. The economic impacts of the COVID-19 pandemic have had, or are likely to have, a negative impact on many of our customers, particularly those in the hospitality market and, thus, may negatively affect our future revenues and increase credit risk. The duration and severity of the impact on our business, our industry and the global economy are not yet fully known and could have an adverse impact on our financial condition, results of operations, or cash flows.

Uncertain macroeconomic and industry conditions, or a sustained slowdown or significant downturn in our markets, could adversely impact demand for our products and adversely affect operating results. Market demand for our products, which impacts revenues and gross profit, is influenced by a variety of economic and industry factors such as:

- global consumer confidence;
- volatility and the cyclical nature of worldwide economic conditions;
- increased working from home;
- weakness in the global financial markets;
- inflationary pressures affecting our products and markets;
- general corporate profitability of the end markets to which we sell;
- credit availability to the end markets to which we sell;
- service-sector unemployment rates;
- commercial property vacancy rates;
- non-residential construction and refurbishment rates;
- deficit status of many governmental entities which may result in declining purchases of office furniture;
- COVID-19 impacts; and
- new hotel and casino construction and refurbishment rates.

We must make decisions based on order volumes in order to achieve manufacturing efficiency. These decisions include determining what level of additional business to accept, production schedules, component procurement commitments, and personnel requirements, among various other considerations. We must constantly monitor the changing economic landscape and may modify our strategic direction accordingly. If we do not react quickly enough to the changes in market or economic conditions, it could result in lost customers, decreased market share, and increased operating costs.

We operate in a highly competitive environment and may not be able to compete successfully. The office and hospitality furniture industries are competitive due to numerous global manufacturers competing in the marketplace. In times of reduced demand for office furniture, large competitors may have greater efficiencies of scale or may apply more pressure to their distribution to sell their products exclusively, which could lead to reduced opportunities for our products.

We may not be successful in implementing and managing our Kimball International Connect Strategies. Our comprehensive Kimball International Connect strategy that is intended to connect our purpose, our people, and our brands to drive and accelerate growth involves risk. The execution of this strategy involves risk, as management's focus and Company resources could be diverted from our core operations, growth in our business could lead to operating inefficiencies, our corporate culture could be disrupted, which could lead to employee attrition, and our revenues could fall or could fail to grow as intended, any of which would have an adverse impact on our financial condition, results of operations, or cash flows.

We may pursue acquisitions that present risks and may not be successful. Our sales growth plans may occur through both organic growth and acquisitions. Acquisitions involve many risks that could have an adverse effect on our business, financial condition or results of operations, including:

- difficulties in identifying suitable acquisition candidates and in negotiating and consummating acquisitions on terms attractive to us;
- difficulties in the assimilation of the operations of the acquired company;
- the diversion of resources, including diverting management's attention from our current operations;
- risks of entering new geographic or product markets in which we have limited or no direct prior experience;
- the potential loss of key customers, suppliers and employees of the acquired company;
- the potential incurrence of indebtedness to fund the acquisition;
- the potential issuance of common stock for some or all of the purchase price, which could dilute ownership interests of our current shareholders;

- the acquired business not achieving anticipated revenues, earnings, cash flow, or market share;
- excess capacity;
- failure to achieve the expected synergies resulting from the acquisition;
- inaccurate assessment of undisclosed, contingent, or other liabilities or problems and unanticipated costs associated with the acquisition;
- incorrect estimates made in accounting for acquisitions, incurrence of non-recurring charges, and write-off of significant amounts of goodwill that could adversely affect our financial results; and
- dilution of earnings.

We may not be successful in launching start-up operations or expanding our business in digital marketplaces. We are committed to growing our business, and therefore from time to time, we may determine that it would be in our best interests to start up a new operation or expand our digital presence to sell certain products. Start-up operations involve a number of risks and uncertainties, such as funding the capital expenditures related to the start-up operation, developing a management team for the new operation, diversion of management focus away from current operations, and creation of excess capacity. The risks and uncertainties that come with a digital presence include competition from more established competitors in the marketplace, responding quickly to consumer traffic patterns, supporting demand outside our current distribution channels, and additional cybersecurity risks. Any of these risks could have a material adverse effect on our financial position, results of operations, or cash flows.

A change in our sales mix among our diversified product offerings could have a negative impact on our gross profit margin. Changes in product sales mix could negatively impact our gross margin, as margins of different products vary. We strive to improve the margins of all products, but certain products have lower margins in order to price the product competitively. An increase in the proportion of sales of products with lower margins could have an adverse impact on our financial position, results of operations, or cash flows.

Our restructuring efforts may not be successful. Our transformation restructuring plan is focused on aligning the Company's business units to a market-centric orientation. The Company has streamlined manufacturing facilities by leveraging production capabilities across all facilities, establishing centers of excellence, and setting up processes to facilitate flexing of product between facilities in response to volume fluctuations. The Company is organized into four market centric business units which are Workplace, Health, Hospitality, and eBusiness. In addition, our harmonized showroom strategy consolidates our Kimball and National showrooms to provide a multi-branded selling solution for our brands. The successful execution of our transformation restructuring plan is dependent on the realization of cost savings, and, even if successful, the transformation restructuring plan may not be accomplished as quickly or effectively as anticipated.

We could incur losses due to asset impairment. As business conditions change, we must continually evaluate and work toward the optimum asset base. As we experienced during fiscal year 2022, it is possible that certain assets such as, but not limited to, facilities, equipment, lease assets, goodwill, or other intangible assets, could be impaired in the future depending on changing business conditions or internal restructuring plans. Goodwill and certain intangible assets are tested for impairment annually or when triggering events occur. Such resulting impairment could have an adverse impact on our financial position and results of operations.

We may not be successful managing risk with derivative financial instruments. From time to time the business may utilize derivative financial instruments to mitigate risks associated with interest rates, foreign currency translation rates or the cost of commodities used in our manufacturing process. The use of derivatives involves management judgement and we may not be successful at managing the aforementioned risks, which could result in negative financial impacts to the Company. If we are unable to achieve or maintain hedge accounting treatments, it could have an adverse impact on our financial position and results of operations.

Selling and Customer Risk Factors

A loss of sales representatives, dealers, or other sales channels could lead to a decline in sales. Our workplace and health furniture is marketed to end users through employee sales representatives, furniture dealers, wholesalers, brokers, designers, purchasing companies, catalog houses, and in addition to being sold via our aforementioned channels, Poppin products are sold online in a B2B and direct to consumer manner. Our hospitality furniture is marketed to end users primarily by independent sales representatives. A significant loss within any of these sales channels could result in a sales decline and thus have an adverse impact on our financial position, results of operations, or cash flows.

We may be exposed to the credit risk of our customers who are adversely affected by weakness in market conditions. Weakness in market conditions, including that caused by the COVID-19 pandemic, may drive an elevated risk of potential cash flow issues or bankruptcy of our customers resulting in a greater risk of uncollectible outstanding accounts receivable. The realization of these risks could have a negative impact on our profitability.

Reduction of purchases by or the loss of a significant number of customers could reduce revenues and profitability. Significant declines in the level of purchases by customers or the loss of a significant number of customers could have a material adverse effect on our business. A reduction of, or uncertainty surrounding, government spending could also have an adverse impact on our sales levels. We can provide no assurance that we will be able to fully replace any lost sales, which could have an adverse effect on our financial position, results of operations, or cash flows.

If efforts to introduce new products or start-up new programs are not successful, this could limit sales growth or cause sales to decline. We regularly introduce new products to keep pace with workplace trends and evolving regulatory and industry requirements, including environmental, health, and safety standards such as sustainability and ergonomic considerations, and similar standards for the workplace and for product performance. Shifts in workforce demographics, the popularity of working from home, working styles, and technology may impact the quantity and types of furniture products purchased by our customers. The introduction of new products or the start-up of new programs require the coordination of the design, manufacturing, and marketing of such products. The design and engineering required for certain new products or programs can take an extended period of time, and further time may be required to achieve customer acceptance. Accordingly, the launch of any particular product or program may be delayed or may be less successful than we originally anticipated. Difficulties or delays in introducing new products or programs, or lack of customer acceptance of new products or programs could limit sales growth or cause sales to decline.

If customers do not perceive our products and services to be innovative and of high quality, our brand and name recognition and reputation could suffer. We believe that establishing and maintaining good brand and name recognition and a good reputation is critical to our business. Promotion and enhancement of our name and brands will depend on the effectiveness of marketing and advertising efforts and on successfully providing design-driven, innovative, and high-quality products and superior services. If customers do not perceive our products and services to be design-driven, innovative, and of high quality, our reputation, brand and name recognition could suffer, which could have a material adverse effect on our business.

Operational, Supply Chain and Distribution Risk Factors

We may be unable to purchase a sufficient amount of materials, parts, and components for use in our products at a competitive price, in a timely manner, or at all. We depend on suppliers globally to provide timely delivery of materials, parts, and components for use in our products. The costs of commodities as well as fuel, freight, energy, labor and other input costs can fluctuate due to changes in global, regional, or local supply and demand. Price increases of commodity components could have an adverse impact on our profitability if we cannot offset such increases with other cost reductions or by price increases to customers. Tariffs or trade regulations which have been or could be imposed by the U.S. federal government may adversely impact our access, price, and delivery of finished products and components from foreign sources, and therefore adversely affect our profitability. The COVID-19 pandemic has had a negative impact on our ability to timely source certain raw materials in the quantities that we need for our operations. Certain finished products and components we purchase are primarily manufactured in select regions of the world, and issues in those regions could cause manufacturing delays.

The loss of a significant supplier could have an adverse impact on our operations. The limited availability of certain raw materials and components could cause an increase in product lead time. In addition, delays can occur related to the transport of products and components via container ships, which load and unload through various U.S. ports that sometimes experience congestion. If suppliers fail to meet commitments to us in terms of price, delivery, or quality, it could interrupt our operations and negatively impact our ability to meet commitments to customers.

Turnover and shortages of production personnel could cause manufacturing inefficiencies. High demand for manufacturing labor due to low unemployment rates and competitive employment options in the rural communities near our manufacturing facilities makes retaining experienced production employees difficult. Turnover could result in lost time due to inefficiencies and the need for additional training, which could impact our operating results.

Our failure to retain our existing management team, maintain our engineering, technical, and manufacturing process expertise, or continue to attract qualified personnel could adversely affect our business. We depend significantly on our executive officers and other key personnel. Our success is also dependent on sustaining employee engagement and organizational vitality, keeping pace with technological advancements, and adapting services to provide manufacturing capabilities that meet customers' changing needs. To do that, we must retain our qualified engineering and technical personnel and successfully anticipate and respond to technological changes in a cost effective and timely manner. Our culture and guiding principles focus on continuous training, motivation, and development of employees, and we strive to attract, motivate, and retain qualified personnel. Failure to retain our executive officers and retain and attract other key personnel could adversely affect our business.

A shortage of freight carrier capacity could drive increases in freight costs. We outsource inbound and outbound shipping to third-party contract carriers, including a dedicated freight provider that operates transportation equipment with our Company branding, and other domestic and international contract carriers. We may experience pressure on freight costs if our demand exceeds the capacity of available trucking and ocean fleets, particularly for commercial contract carriers. In periods of tight capacity, we may be unable to mitigate a freight cost increase through our supply chain planning or by increasing prices on our products, which could adversely affect our profitability.

We are subject to manufacturing and warehousing inefficiencies due to the transfer of production among our facilities and other factors. At times we may experience labor or other manufacturing inefficiencies due to factors such as new product introductions, transfers of production among our manufacturing facilities, changes in our warehousing strategy, a sudden decline in sales such as due to COVID-19, a new operating system, or turnover in personnel. Manufacturing and warehousing inefficiencies could have an adverse impact on our financial position, results of operations, or cash flows.

Our international operations involve financial and operational risks. We have a manufacturing operation outside the United States in Mexico which we have announced we are closing, and administrative offices in China and Vietnam that coordinate with suppliers in those countries. These international operations are subject to a number of risks, including the following:

- economic and political instability;
- various and potentially conflicting cultural norms and business practices;
- warfare, riots, terrorism, and other forms of violence or geopolitical disruption;
- compliance with laws, such as the Foreign Corrupt Practices Act, applicable to U.S. companies doing business outside the United States;
- changes in foreign regulatory requirements and laws;
- health and security issues;
- tariffs and other trade barriers;
- potentially adverse tax consequences, including the manner in which multinational companies are taxed in the U.S.;
- COVID-19 impacts; and
- foreign labor practices.

These risks could have an adverse effect on our financial position, results of operations, or cash flows. In addition, fluctuations in exchange rates could impact our operating results. Our risk management strategy may include the use of derivative financial instruments to hedge certain foreign currency exposures. Any hedging techniques we implement contain risks and may not be entirely effective. Exchange rate fluctuations could also make our products more expensive than a competitor's products not subject to these fluctuations, which could adversely affect our revenues and profitability in international markets.

Regulatory and Compliance Risk Factors

Our sales to Government entities are subject to compliance with regulatory and contractual requirements, and noncompliance could expose us to liability or impede current or future business. The U.S. government, as well as state and local governments, can typically terminate or modify their contracts with us either at their discretion or if we default by failing to perform under the terms of the applicable contract, which could expose us to liability and impede our ability to compete in the future for contracts and orders. The failure to comply with regulatory and contractual requirements could subject us to investigations, fines, or other penalties, and violations of certain regulatory and contractual requirements could also result in us being suspended or debarred from future government contracting.

Changes to government regulations may significantly increase our operating costs in the United States and abroad. Legislative and regulatory reforms by the U.S. federal and foreign governments could significantly impact our profitability by burdening us with forced cost choices that are difficult to recover with increased pricing. For example:

- We depend on suppliers globally to provide materials, parts, finished goods, and components for use in our products. We utilize both steel and aluminum in our products, most of which is sourced domestically. Tariffs or changes in global trade agreements or in U.S. governmental import/export regulations could cause the landed cost of our products to increase materially and could reduce our net income if we are unable to mitigate the additional cost, which would have an adverse impact on our financial condition, results of operations, or cash flows.

- We import a portion of our wooden furniture products and are thus subject to an anti-dumping tariff specifically on wooden bedroom furniture supplied from China. The tariffs are subject to review and could result in retroactive and prospective tariff rate increases, which could have an adverse impact on our financial condition, results of operations, or cash flows.

- State and foreign regulations are increasing in many areas, such as hazardous waste disposal, labor relations, employment practices and data privacy, including the California Consumer Privacy Act, among others. Compliance with privacy regulations requires us to obtain consent from consumers regarding the usage of their information. These additional processes, or any violations of these state and foreign regulations, could have an adverse impact on our financial condition, results of operations, or cash flows.

Fluctuations in our effective tax rate could have a significant impact on our financial position, results of operations, or cash flows. We are subject to income taxes as well as non-income-based taxes, mainly in the United States. Judgment is required in determining the worldwide provision for income taxes, other tax liabilities, interest, and penalties. Future events could change management's assessment. We operate within multiple taxing jurisdictions and are subject to tax audits in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. We have also made assumptions about the realization of deferred tax assets. Changes in these assumptions could result in a valuation allowance for these assets. Final determination of tax audits or tax disputes may be different from what is currently reflected by our income tax provisions and accruals, which could adversely impact our financial position, results of operations, or cash flows.

We are subject to extensive environmental regulation and significant potential environmental liabilities. Our past and present operation and ownership of manufacturing plants and real property are subject to extensive federal, state, local, and foreign environmental laws and regulations, including those relating to discharges in air, water, and land, the handling and disposal of solid and hazardous waste, and the remediation of contamination associated with releases of hazardous substances. In addition, the increased prevalence of global climate issues may result in new regulations that may negatively impact us. We cannot predict what environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist with respect to our facilities and real property. Compliance with more stringent laws or regulations, or stricter interpretation of existing laws, may require additional expenditures, some of which could be material. In addition, any investigations or remedial efforts relating to environmental matters could involve material costs or otherwise result in material liabilities.

The Company's business involves the potential for product recalls, product liability and other claims against it which could affect its earnings and financial condition. New and existing products may be subject to the United States Consumer Products Safety Act of 1972, as amended by the Consumer Product Safety Improvement Act of 2008, which empowers the Consumer Products Safety Commission to exclude from the market products that are found to be unsafe or hazardous, and similar laws under foreign jurisdictions. Under certain circumstances, the Consumer Products Safety Commission or comparable foreign agency could require the Company to repurchase or recall one or more of its products. Any purchase or recall of the Company's products could be costly and damaging to the Company's reputation. If the Company were required to remove, or voluntarily removed, its products from the market, the Company's reputation could be impacted and the Company may have large quantities of finished product that it could not sell. The Company also faces exposure to product liability claims in the event that one of its products is alleged to have resulted in property damage, bodily injury or other adverse effects. In addition to the risk of substantial monetary judgments or fines or penalties that may result from any governmental investigations, product liability claims or regulatory actions could result in negative publicity that could harm the Company's reputation in the marketplace, adversely impact the value of its brands, or result in an increase in the cost of producing the Company's products.

A failure to comply with the financial covenants under our $125.0 million revolving credit facility could adversely impact us. Our revolving credit facility requires us to comply with certain financial covenants. We believe the most significant covenants under this revolving credit facility are the adjusted leverage ratio and the interest coverage ratio. More detail on these financial covenants is discussed in Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report on Form 10-K. A default on the financial covenants under our revolving credit facility could cause an increase in our borrowing rates or could make it more difficult for us to secure future financing, which could adversely affect our financial condition.

General Risk Factors

Our business depends on information technology systems and digital capabilities that are implemented in a manner intended to minimize the risk of a cybersecurity breach or other such threat, including the misappropriation of assets or other sensitive information or data corruption, which could cause operational disruption. An ongoing commitment of significant resources is required to maintain and enhance our existing information systems and implement the new and emerging technology necessary to meet customer expectations and compete in our end markets. The techniques used to obtain unauthorized access change frequently and are not often recognized until after they have been launched. We recognize that any breach could disrupt our operations, damage our reputation, erode our share value, drive remediation expenses, or increase costs related to the mitigation of, response to, or litigation arising from any such issue.

Many states and the U.S. federal government are increasingly enacting laws and regulations to protect consumers against identity theft and to also protect their privacy. As our business expands globally, we are subject to data privacy and other similar laws in various foreign jurisdictions. If we are the target of a cybersecurity attack resulting in unauthorized disclosure of sensitive or confidential data, we may be required to execute costly notification procedures. Compliance with these laws will likely increase the costs of doing business. If we fail to implement appropriate safeguards or to detect and provide prompt notice of unauthorized access as required by some of these laws, we could be subject to potential claims for damages and other remedies, which could harm our business.

Our operating results could be adversely affected by increases in the cost of fuel and other energy sources. The cost of energy is a critical component of freight expense and the cost of operating manufacturing facilities. Increases in the cost of energy could reduce our profitability.

Natural disasters or other catastrophic events may impact our production schedules and, in turn, negatively impact profitability. Natural disasters or other catastrophic events, including severe weather, terrorist attacks, power interruptions, pandemics, and fires, could disrupt operations and likewise our ability to produce or deliver products. Our manufacturing operations require significant amounts of energy, including natural gas and oil, and governmental regulations may control the allocation of such fuels. Employees are an integral part of our business, and events such as a pandemic could reduce the availability of employees reporting for work. In the event we experience a temporary or permanent interruption in our ability to produce or deliver product, revenues could be reduced, and our business could be materially adversely affected. In addition, catastrophic events, or the threat thereof, can adversely affect U.S. and world economies, and could result in delayed or lost sales of our products. Additionally, any continuing disruption in our computer system could adversely affect our ability to receive and process customer orders, manufacture products, and ship products on a timely basis, and could adversely affect relations with our customers, potentially resulting in a reduction in orders from customers or a loss of customers.

Failure to effectively manage working capital may adversely affect our cash flow from operations. Customer financial difficulties, cancellation or delay of customer orders, transfers of production among our manufacturing facilities, manufacturing delays, the need to carry higher safety stock levels due to supply chain disruptions, purchasing materials in advance of expected price increases, or the impacts of the COVID-19 pandemic could adversely affect our cash flow from operations.

Our insurance may not adequately protect us from liabilities related to product defects. Our insurance coverage does not extend to field visits to repair, retrofit or replace defective products, or to product recalls. As a result, our insurance coverage may not be adequate to protect us fully against substantial claims and costs that may arise from liabilities related to product defects, particularly if we have a large number of defective products that we must repair, retrofit, replace, or recall. Additionally, the cost of insurance for a given level of coverage may increase which may impact profitability or lead us to reduce insurance coverage levels.

Increases in the cost of providing employee healthcare benefits could reduce our profitability. There may continue to be upward pressure on the cost of providing healthcare benefits to our employees. We are self-insured for healthcare benefits, so we incur the cost of claims, including catastrophic claims that may occasionally occur, with employees bearing only a limited portion of healthcare costs through employee healthcare premium withholdings. There can be no assurance that we will succeed in limiting cost increases, and continued upward pressure could reduce our profitability.

We may be sued by third parties for alleged infringement of their intellectual property rights and incur substantial litigation or other costs. Our competitors may file for patent protection after our initial evaluation prior to launching major new products. Our efforts to identify and avoid infringing upon third parties' intellectual property rights may not be successful. We could be notified of a claim regarding intellectual property rights, which could lead us to spend time and money to defend or address the claim. Even if the claim is without merit, it could result in substantial costs and diversion of resources.

Failure to protect our intellectual property could undermine our competitive position. We attempt to protect our intellectual property rights, both in the United States and in foreign countries, through a combination of patent, trademark, copyright, and trade secret laws, as well as licensing agreements and third-party non-disclosure and assignment agreements. Because of the differences in foreign laws concerning proprietary rights, our intellectual property rights do not generally receive the same degree of protection in foreign countries as they do in the United States, and therefore in some parts of the world, we have limited protections, if any, for our intellectual property. Competing effectively depends, to a significant extent, on maintaining the proprietary nature of our intellectual property. The degree of protection offered by our various patents and trademarks may not be broad enough to provide significant proprietary protection or competitive advantages to the Company, and patents or trademarks may not be issued on pending or contemplated applications. In addition, not all of our products are covered by patents. It is also possible that our patents and trademarks may be challenged, invalidated, canceled, narrowed, or circumvented.

The value of our common stock may experience substantial fluctuations for reasons over which we may have limited control. The value of our common stock could fluctuate substantially based on a variety of factors, including, among others:

- actual or anticipated fluctuations in operating results;
- announcements concerning our Company, competitors, or industry;
- overall volatility of the stock market;
- changes in the financial estimates of securities analysts or investors regarding our Company, the industry, or competitors;
- general market or economic conditions including the economic impacts of the COVID-19 pandemic; and
- proxy contests or other shareholder activism.

We also provide financial objectives for our expected operating results for future periods. While the information is provided based on current and projected data about the markets we deliver to and our operational capacity and capabilities, the financial objectives are subject to risks and uncertainties. If our future results do not match our financial objectives for a particular period, or if the financial objectives are reduced in future periods, the value of our common stock could decline.

Furthermore, stock prices for many companies fluctuate widely for reasons that may be unrelated to their operating results. These fluctuations, coupled with changes in results of operations and general economic, political, and market conditions, may adversely affect the value of our common stock.

Item 1B - *Unresolved Staff Comments*

None.

Item 2 - *Properties*

The location, number, and use of our major facilities, including our executive and administrative offices, as of June 30, 2022, are as follows:

	Number of Facilities	Use
North America		
United States:		
Indiana	15	Manufacturing, Warehouse, Office
Kentucky	2	Manufacturing, Office
California (1)	1	Warehouse, Office
New York	1	Office
Mexico (1)	1	Manufacturing, Office
Asia		
China	2	Office
Vietnam	1	Office
Total Facilities	23	

(1) As part of our transformation restructuring plan, our leased office and warehouse space in California and manufacturing and office space in Mexico will be exited during fiscal year 2023 as we plan to primarily outsource the D'Style product.

The listed facilities occupy approximately 3,171,000 square feet in aggregate as of June 30, 2022, of which approximately 2,829,000 square feet are owned, and 342,000 square feet are leased.

Generally, properties are utilized at normal capacity levels on a multiple shift basis. At times, certain facilities utilize a reduced second or third shift. We continually assess our capacity needs and evaluate our operations to optimize our service levels by geographic region.

Significant loss of income resulting from a facility catastrophe would be partially offset by business interruption insurance coverage.

Operating leases for all facilities and related land, including fifteen leased showroom facilities that are not included in the table above, total 448,000 square feet and expire from fiscal year 2023 to 2029 with many of the leases subject to renewal options. The leased showroom facilities are in seven states and the District of Columbia as of June 30, 2022. During fiscal year 2022 we implemented a showroom strategy where we highlight our Kimball, National, Etc., Poppin, and Interwoven brands in shared showroom spaces which will eliminate having multiple showrooms in a single city. During fiscal year 2023 we are relocating our Chicago showroom to the Fulton Market District. See Note 5 - Leases of Notes to Consolidated Financial Statements for additional information concerning leases.

We own approximately 318 acres of land, which includes land where various facilities reside, including approximately 115 acres of land in the Kimball Industrial Park, Jasper, Indiana.

Item 3 - *Legal Proceedings*

We and our subsidiaries are not parties to any pending legal proceedings, other than ordinary routine litigation incidental to the business. The outcome of current routine pending litigation, individually and in the aggregate, is not expected to have a material adverse impact.

Item 4 - *Mine Safety Disclosures*

Not applicable.

Information about our Executive Officers

Our executive officers as of August 31, 2022 are as follows:

(Age as of August 31, 2022)

Name	Age	Office and Area of Responsibility	Executive Officer Since Calendar Year
Kristine L. Juster	59	Chief Executive Officer & Director, Kimball International	2018
Timothy J. Wolfe	45	Executive Vice President, Chief Financial Officer, Kimball International	2020
Lonnie P. Nicholson	58	Executive Vice President, Chief Human Resources Officer, Kimball International	2014
Mark W. Johnson	45	Executive Vice President, Chief Legal Officer & Corporate Secretary, Kimball International; President, Hospitality	2020
Kourtney L. Smith	52	Executive Vice President, Kimball International; Chief Operating Officer, Workplace & Health	2015
Michael J. Roch	44	Executive Vice President, Kimball International; Chief Customer Officer, Workplace & Health	2021
Greg A. Meunier	52	Executive Vice President, Global Operations, Kimball International	2020
R. Gregory Kincer	64	Executive Vice President, Corporate Development & Treasurer, Kimball International	2014

Executive officers are elected annually by the Board of Directors.

Ms. Juster was appointed Chief Executive Officer in November 2018 and has served as a member of our Board of Directors since April 2016. Prior to her appointment as Chief Executive Officer, Ms. Juster served for over 20 years as a Global Executive at Newell Brands, Inc. (“Newell”), a leading global consumer goods and commercial products company, until her retirement from Newell in April 2018. During her tenure at Newell, Ms. Juster served as President of the Global Writing Segment from May 2014 until her retirement in April 2018 and in other roles of increasing responsibility since joining Newell in 1995, including serving as President of Newell’s Baby and Parent Segment, President of Newell’s Home Décor Segment, and President of Newell’s Culinary Lifestyles Segment.

Mr. Wolfe was appointed Executive Vice President, Chief Financial Officer in October 2020. Prior to his appointment as Chief Financial Officer, Mr. Wolfe served as Vice President and Chief Financial Officer, Great Britain of Coca-Cola European Partners, the largest global Coca-Cola bottler, since May 2019. Mr. Wolfe also served in the Coca-Cola European Partners roles of Vice President, Finance Shared Services and Transformation from June 2016 to April 2019, Vice President, Chief Compliance and Risk Officer from January 2014 to May 2016, and Director, Corporate Strategy from January 2012 to December 2013, among other roles.

Mr. Nicholson was appointed Executive Vice President, Chief Human Resources Officer in January 2020 and previously served as Vice President, Chief Administrative Officer, since February 2015.

Mr. Johnson was appointed President, Hospitality in March 2022, and Executive Vice President, Chief Legal Officer and Corporate Secretary in February 2020 and leads the Company's corporate business practices, including legal, compliance, and corporate governance. Prior to joining the Company, Mr. Johnson served as Deputy General Counsel at Newell from November 2009 until February 2020 where he was the legal department's chief operating counsel and led the organization's government affairs activities.

Ms. Smith was appointed Chief Operating Officer, Workplace and Health in November 2021 and leads the product development, brand marketing, and business operations of the Kimball, National, Etc., and Interwoven brands. She was appointed President, Workplace in August 2020, and Executive Vice President of Kimball International, Inc. in January 2020 and was responsible for the strategic growth and direction of our Workplace business unit. She previously served as President, National Office Furniture since January 2018, and Vice President of Kimball International, Inc. since October 2015. She held the position of President, Kimball Hospitality from August 2015 until January 2018, where she was responsible for strategic growth and direction. Previously, she served as Vice President, Marketing for National Office Furniture, a position she assumed in 2010, where she led product development, marketing, sustainability, vertical markets, and increasing brand awareness in the architect and design community.

Mr. Roch was appointed Chief Customer Officer, Workplace and Health in November 2021 and leads customer growth and business development through the Company's commercial strategy. He is responsible for sales, distribution, trade marketing, sales training and enablement, as well as sales planning and performance to accelerate growth of the Kimball, National, Etc., and Interwoven brands. He previously served as Senior Vice President of Sales, Workplace since August 2020, and Vice President, Sales, National Office Furniture since February 2015.

Mr. Meunier was appointed Executive Vice President, Global Operations in January 2020 where he leads a team responsible for manufacturing, supply chain, engineering, logistics, research and development, safety, and environmental operations. Prior to that, he served as Vice President, Global Operations, National Office Furniture from May 2016 until January 2020 and Director of Operations, Casegoods Manufacturing, National Office Furniture from September 2010 until May 2016.

Mr. Kincer was appointed Executive Vice President, Corporate Development & Treasurer in January 2020 and previously served as Vice President, Corporate Development, since November 2014.

PART II

Item 5 - ***Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities***

Our Class B common stock trades on the Nasdaq Global Select Market under the symbol: KBAL. There is no established public trading market for our Class A common stock. However, Class A shares are convertible on a one-for-one basis into Class B shares.

Dividends declared on our Class A and Class B common stock totaled $13.5 million for both fiscal years 2022 and 2021. Consistent with our historical dividend policy, our Board of Directors evaluates the appropriate dividend payment on a quarterly basis.

Shareholders

On August 18, 2022, our Class A common stock was owned by 87 shareholders of record, and our Class B common stock was owned by 1,216 shareholders of record, of which 41 also owned Class A common stock. The shares of our Class B common stock are equivalent to the shares of our Class A common stock with respect to all matters, including without limitation, dividend payments and voting rights, except that while Class A shares are convertible on a one-for-one basis into Class B shares, our Class B shares cannot be converted into Class A shares.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item concerning securities authorized for issuance under equity compensation plans is incorporated by reference to Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters of Part III of this Annual Report on Form 10-K.

Issuer Purchases of Equity Securities

A share repurchase program authorized by the Board of Directors was announced on August 11, 2015. The program allows for the repurchase of up to two million shares of common stock and will remain in effect until all shares authorized have been repurchased. On February 7, 2019, an additional two million shares of common stock were authorized by the Board of Directors for repurchase. The Board of Directors can discontinue this repurchase program at any time. At June 30, 2022, 1.9 million shares remained available under the repurchase program.

During both fiscal years 2022 and 2021, we repurchased 0.3 million shares of our common stock. The following table presents a summary of our share repurchases during the fourth quarter of fiscal year 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Month #1 (April 1 - April 30, 2022)	—	$ —	—	2,033,265
Month #2 (May 1 - May 31, 2022)	—	$ —	—	2,033,265
Month #3 (June 1 - June 30, 2022)	88,714	$ 8.03	88,714	1,944,551
Total	88,714	$ 8.03	88,714	

Performance Graph

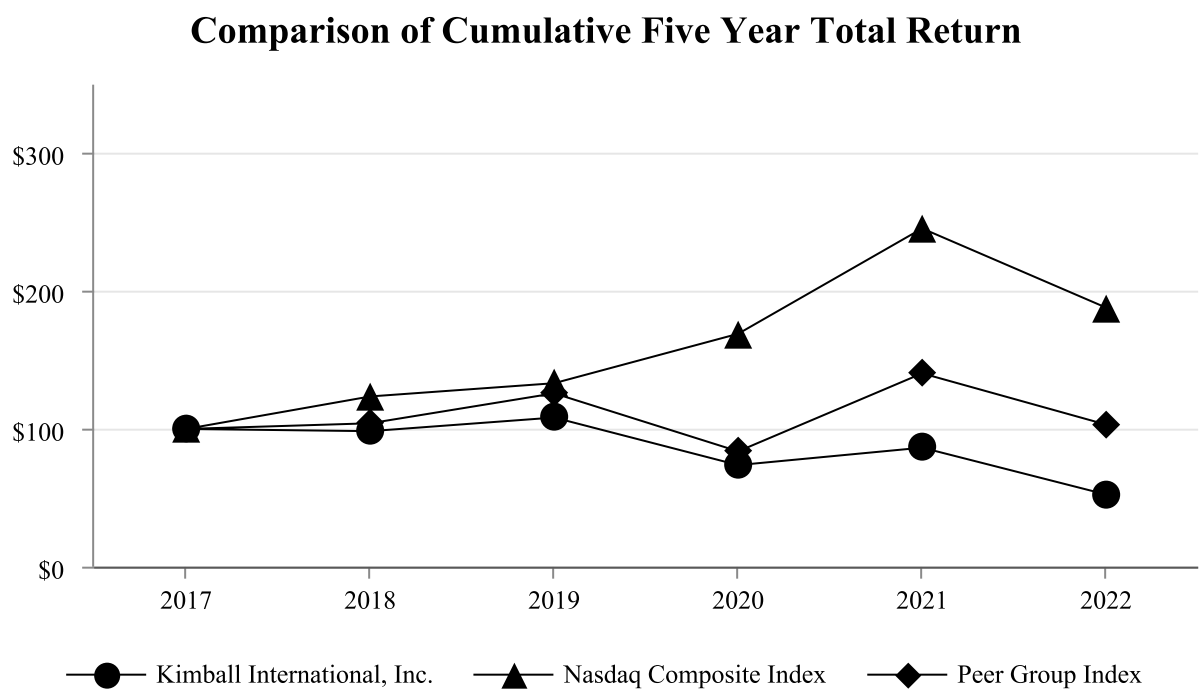
The following performance graph is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act and will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent we specifically incorporate it by reference into such a filing.

The graph below compares the cumulative total return to shareholders of our common stock from June 30, 2017 through June 30, 2022, the last business day in the respective fiscal years, to the cumulative total return of the Nasdaq Stock Market (U.S. and Foreign) and a peer group index for the same period of time.

Due to the diversity of our operations, we are not aware of any public companies that are directly comparable. Therefore, the peer group index is comprised of publicly traded companies as follows:

> Furniture peers: HNI Corporation, MillerKnoll, Inc., and Steelcase Inc., (Knoll, Inc. included through July 19, 2021 when it merged with Herman Miller, Inc. to form MillerKnoll, Inc.)

The graph assumes $100 is invested in our Class B common stock and each of the two indexes at the closing market quotations on June 30, 2017 and that dividends are reinvested. The performances shown on the graph are not necessarily indicative of future price performance.



	2017	2018	2019	2020	2021	2022
Kimball International, Inc.	$ 100.00	$ 98.39	$ 108.29	$ 73.76	$ 86.42	$ 52.39
Nasdaq Composite Index	$ 100.00	$ 123.60	$ 133.22	$ 169.11	$ 245.60	$ 188.07
Peer Group Index	$ 100.00	$ 104.12	$ 125.87	$ 83.74	$ 140.38	$ 103.15

Item 6 - *[Reserved]*

Not applicable.

Item 7 - *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Business Overview

Kimball International (the "Company," "Kimball International," "we," "us," or "our") is a leading omnichannel commercial furnishings company with deep expertise in the Workplace, Health and Hospitality markets. We combine our bold entrepreneurial spirit, a history of craftsmanship and today's design-driven thinking alongside a commitment to our culture of caring and lasting connections with our customers, shareholders, employees and communities. For over 70 years, our brands have seized opportunities to customize solutions into personalized experiences, turning ordinary spaces into meaningful places. Our family of brands includes Kimball, National, Etc., Interwoven, Poppin, Kimball Hospitality, and D'style.

Management currently considers the following events, trends, and uncertainties to be most important to understanding our financial condition and operating performance:

- *Operating Environment* - During the second half of fiscal year 2022, the benefit of increased prices and higher volumes coupled with our cost savings initiatives had a positive financial impact, while inflationary pressures and supply chain disruptions continued to increase production costs. See the Recent Business Changes section within Item 1 - Business for additional details regarding changes in our operating environment.

- *Transformation Restructuring Plan* - Included in the current phase of our transformation restructuring plan are activities such as the streamlining of manufacturing facilities, voluntary retirement incentive programs, and the consolidation of showrooms. This phase of the transformation restructuring plan began in the first quarter of our fiscal year 2021, and we expect a substantial majority of the restructuring actions to be completed by the end of fiscal year 2023. In addition to the savings already generated from the first phase of the transformation restructuring plan, the efforts of this second phase of the transformation restructuring plan are expected to generate annualized pre-tax savings of approximately $19.0 million when it is fully implemented. See Note 3 - Restructuring of Notes to Consolidated Financial Statements in Item 8 of this Form 10-K for additional information.

- During the second quarter of fiscal year 2021, we acquired Poppin, Inc. ("Poppin"), a tech-enabled, market-leading B2B commercial furniture design company headquartered in New York City, New York. Poppin designs commercial-grade furniture that is made to mix, match, and scale in today's modern office and work-from-home environments. In addition to the cash consideration paid at the acquisition date, the acquisition purchase price included contingent payments based on revenue and profitability milestones achieved through June 30, 2024. As of the acquisition date the fair value of the contingent earn-out was $31.8 million. As of the end of fiscal year 2022 the fair value of the contingent earn-out liability was $3.2 million. During fiscal year 2022 we recorded a pre-tax non-cash charge to reduce the carrying value of goodwill by $34.1 million.

- In connection with the $68.0 million of borrowings on our revolving credit facility, during fiscal year 2022 we entered into an interest rate swap agreement with a bank with a notional value of $40.0 million. The interest rate swap agreement exchanges the variable interest rate on the revolving line of credit with a fixed interest rate and is used to hedge our exposure to interest rate risk.

- Due to the contract and project nature of furniture markets, fluctuation in the demand for our products and variation in the gross margin on those projects is inherent to our business, which in turn impacts our operating results. Effective management of our manufacturing capacity is and will continue to be critical to our success. See below for further details regarding current sales and order backlog trends.

- We expect to continue to invest in capital expenditures prudently, particularly for projects that will enhance our capabilities and diversification while providing an opportunity for growth and improved profitability.

- We continue to maintain a strong balance sheet. Our short-term liquidity available, represented as cash and cash equivalents plus the unused amount of our revolving credit facility, was $66.2 million at June 30, 2022.

Results of Operations - Fiscal Year 2022 Compared to Fiscal Year 2021

(Amounts in Millions, Except for Per Share Data)	At or for the Year Ended June 30 2022	At or for the Year Ended June 30 2021	% Change
Net Sales	$ 665.9	$ 569.0	17%
Organic Net Sales*	637.2	566.3	13%
Gross Profit	211.3	182.4	16%
Gross Profit %	31.7%	32.1%	
Adjusted Gross Profit	213.2	183.0	17%
Adjusted Gross Profit %	32.0%	32.2%	
Selling and Administrative Expenses	202.3	181.8	11%
Other General (Income) Expense	(4.5)	—	
Contingent Earn-out (Gain) Loss	(17.0)	(11.6)	(47%)
Restructuring Expense	10.5	10.7	(2%)
Goodwill Impairment	34.1	—	
Operating Income (Loss)	(14.0)	1.5	(1,023%)
Operating Income (Loss) %	(2.1%)	0.3%	
Adjusted Operating Income *	$ 16.5	$ 12.4	33%
Adjusted Operating Income % *	2.5%	2.2%	
Net Income (Loss)	$ (15.7)	$ 7.4	(312%)
Net Income (Loss) as a Percentage of Net Sales	(2.4%)	1.3%	
Adjusted Net Income *	12.8	10.0	28%
Diluted Earnings (Loss) Per Share	$ (0.43)	$ 0.20	(315%)
Adjusted Diluted Earnings Per Share *	$ 0.35	$ 0.27	30%
Return on Invested Capital **	6.7%	12.1%	
Adjusted EBITDA *	$ 34.1	$ 29.7	15%
Adjusted EBITDA %*	5.1%	5.2%	
Order Backlog **	$ 175.6	$ 141.4	24%

* Items indicated represent Non-GAAP (Generally Accepted Accounting Principles) measurements.
** Items indicated represent Key Performance Indicators.
See the “Non-GAAP Financial Measures and Other Key Performance Indicators” section below.

Net Sales by End Market

(Amounts in Millions)	Year Ended June 30 2022	Year Ended June 30 2021	% Change
Workplace	$ 464.1	$ 354.3	31%
Health	104.8	97.3	8%
Hospitality	97.0	117.4	(17%)
Total Net Sales	$ 665.9	$ 569.0	17%

Our Workplace end market includes sales to the commercial, financial, government and education vertical markets and eBusiness. The revenue of the Poppin acquisition is included in eBusiness.

Fiscal year 2022 consolidated net sales were $665.9 million compared to fiscal year 2021 consolidated net sales of $569.0 million, a 17% increase. Organic net sales increased $70.9 million, or 13%, year-over-year due to increased pricing and higher volume in our workplace and health end markets which were partially offset by lower volume in our hospitality end market which has not yet rebounded from the negative impact of the pandemic. Each of our end market sales levels can fluctuate depending on the mix of projects in a given period.

Order backlog at June 30, 2022 increased 24%, when compared to the open order level as of June 30, 2021, as increases in our workplace and health backlog were partially offset by a decline in hospitality backlog. Open orders at a point in time may not be indicative of future sales trends.

Gross profit as a percent of net sales decreased 40 basis points to 31.7% for fiscal year 2022 compared to 32.1% for fiscal year 2021. The primary drivers for the decrease were inflationary pressure on materials, increased freight costs, manufacturing labor increases, and the cost associated with the one-time COVID vaccine incentive which were partially offset by price increases and savings realized from our operational excellence initiatives.

Fiscal year 2022 selling and administrative (S&A) expenses compared to fiscal year 2021 increased 11%, and decreased 150 basis points as a percent of net sales, due to the leverage of our increased sales. S&A expenses increased due to the incremental S&A expenses of our acquired Poppin business which were offset by reductions in our S&A expense of our organic business. The consulting costs related to the Poppin acquisition in the prior year-to-date period did not repeat in the current year. Related to our organic business, we also recorded decreased salary expenses, decreased commission costs, increased incentive compensation expenses, increased travel and entertainment expenses, and increased expense for our COVID vaccine incentive compared to the prior fiscal year. During fiscal year 2022 we recorded lower selling and administrative expenses related to the normal revaluation to fair value of our Supplemental Employee Retirement Plan ("SERP") liability. The impact from the change in the SERP liability that was recognized in selling and administrative expenses was offset with the change in fair value of the SERP investments which was recorded in Other Income (Expense), and thus there was no effect on net income.

We recognized pre-tax restructuring expense of $10.5 million in fiscal year 2022 and $10.7 million in fiscal year 2021 related to our transformation restructuring plan. See Note 3 - Restructuring of Notes to Consolidated Financial Statements for further information on our restructuring plan.

In connection with our annual goodwill impairment test, we assessed goodwill at the reporting unit level for impairment during our second quarter of fiscal year 2022 ended December 31, 2021 and based on our analysis our Poppin reporting unit had carrying value in excess of the calculated fair value. The decline in the fair value of the reporting unit was driven by revised sales forecasts primarily attributable to changes in demand due to the ongoing COVID-19 pandemic and supply chain constraints. As a result, we recorded a pre-tax, non-cash charge to reduce the carrying value of goodwill by $34.1 million during fiscal year 2022. We also recorded a non-cash pre-tax contingent earn-out benefit during fiscal year 2022 of $17.0 million which partially offset the goodwill impairment, as there was a lower likelihood of Poppin achieving targeted milestones during the earn-out period.

Other General (Income) Expense consisted of a $4.5 million gain on the sale of a warehouse during the third quarter of fiscal year 2022.

Other income (expense), net consisted of the following:

Other Income (Expense), net	**Year Ended June 30**	
(Amounts in Thousands)	**2022**	**2021**
Interest Income	$ 129	$ 336
Interest Expense	(1,483)	(453)
Gain (Loss) on Supplemental Employee Retirement Plan Investments	(1,922)	3,324
Other	(105)	(118)
Other Income (Expense), net	$ (3,381)	$ 3,089

Our fiscal year 2022 effective tax rate of 9.8% was driven by the book versus tax treatment of nondeductible goodwill impairment and earn-out valuation adjustments. Our fiscal year 2021 effective tax rate of (60.9%) was driven by the book versus tax treatment of the $11.6 million Poppin earn-out gain and a $0.6 million research and development tax credit.

Comparing our balance sheets as of June 30, 2022 to June 30, 2021, our accounts receivable balance increased as a result of the increased sales volumes. Our inventory and accounts payable balances increased as we ramped up our material purchases and production to fulfill our order backlog and to cushion against supply chain disruptions. Due to COVID-19 and supply chain disruptions which have temporarily delayed Poppin's sales growth expectations, we recognized a goodwill impairment charge which reduced our goodwill balance, and we also reduced our earn-out liability due to the lower likelihood of Poppin achieving targeted milestones during the earn-out period.

Results of Operations - Fiscal Year 2021 Compared to Fiscal Year 2020

For the comparison of fiscal years ended June 30, 2021 and June 30, 2020, see the Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our Annual Report on Form 10-K filed August 31, 2021.

Liquidity and Capital Resources

Our total cash and cash equivalents was $10.9 million at June 30, 2022 and $24.3 million at June 30, 2021. Our total debt was $68.1 million at June 30, 2022 and $40.1 million at June 30, 2021. During fiscal year 2022, cash flows used for operations were $4.6 million, capital expenditures including capitalized software were $25.1 million, the return of capital to shareholders in the form of dividends totaled $13.2 million and stock repurchases totaled $3.0 million which were partially offset by proceeds from the sale of assets of $5.4 million.

Working capital at June 30, 2022 was $67.7 million compared to working capital of $44.1 million at June 30, 2021. The current ratio was 1.4 at both June 30, 2022 and June 30, 2021.

Our short-term liquidity available, represented as cash and cash equivalents plus the unused amount of our revolving credit facility, totaled $66.2 million at June 30, 2022. At June 30, 2022, we had $1.7 million in letters of credit outstanding, which reduced our borrowing capacity on the revolving credit facility. We had $68.0 million and $40.0 million of revolving credit facility borrowings outstanding as of June 30, 2022 and June 30, 2021, respectively. Total availability to borrow under the credit facility totaled $55.3 million at June 30, 2022.

Cash Flows

The following table reflects the major categories of cash flows for fiscal years 2022 and 2021.

	Year Ended June 30	
(Amounts in thousands)	**2022**	**2021**
Net cash provided by (used for) operating activities	$ (4,573)	$ 27,294
Net cash used for investing activities	$ (19,863)	$ (115,984)
Net cash provided by financing activities	$ 10,705	$ 21,973

Cash Flows from Operating Activities

Fiscal year 2022 net cash used for operating activities was $4.6 million inclusive of a net loss of $15.7 million which included $34.1 million of noncash goodwill impairment and $17.0 million of noncash contingent earn-out liability gains. Fiscal year 2021 net cash provided by operating activities was $27.3 million inclusive of net income of $7.4 million. Changes in working capital balances used $37.3 million of cash in fiscal year 2022 and provided $6.1 million of cash in fiscal year 2021.

The $37.3 million of cash used by changes in working capital balances in fiscal year 2022 was primarily driven by $43.7 million increase in inventory and a $20.7 million increase in receivables which were partially offset by a $27.9 million increase in our accounts payable. The inventory, receivables, and accounts payable increases were due to the increased net sales and associated increase in material purchases and production to fulfill our order backlog and to cushion against supply chain disruptions.

The $6.1 million of cash provided by changes in working capital balances in fiscal year 2021 was primarily driven by a $12.7 million decrease in our accounts receivable balance due to decreased sales in the latter portion of fiscal year 2021 and an $11.2 million decrease in our inventories balance as we scaled to the new order levels. These changes were partially offset by a $10.4 million decrease to our accrued expenses balance and a $6.6 million decrease in our accounts payable balance in conjunction with the lower inventory purchases.

Our measure of accounts receivable performance, also referred to as Days Sales Outstanding ("DSO"), for the fiscal years ended June 30, 2022 and June 30, 2021 were 33 days and 34 days, respectively. We define DSO as the average of monthly accounts and notes receivable divided by an average day's net sales. Our Production Days Supply on Hand ("PDSOH") of inventory measure for the fiscal years ended June 30, 2022 and June 30, 2021 were 77 and 65 days, respectively. The increase in PDSOH was driven by increases in average inventory levels outpacing the sales ramp up. We define PDSOH as the average of the monthly net inventory divided by an average day's cost of sales.

Cash Flows from Investing Activities

During fiscal years 2022 and 2021, we reinvested $25.1 million and $19.5 million, respectively, into capital investments for the future. The current year capital investments includes current construction of a warehouse, and both the current and prior year capital investments include various manufacturing equipment upgrades to increase automation in production facilities, configuration design software, and facility improvements. During fiscal year 2021, we expended $101.5 million for the Poppin acquisition, invested $10.0 million in available-for-sale securities, and had investment maturities of $15.3 million. While we held no short-term investments as of June 30, 2022 or June 30, 2021, throughout fiscal year 2021, our short-term investments included certificates of deposit purchased in the secondary market, U.S. Treasury and federal agency securities, and municipal bonds.

Cash Flows from Financing Activities

During fiscal year 2022 we had proceeds from borrowings on our revolving credit facility of $113.0 million and during the same period we also repaid $85.0 million on our revolving credit facility. During fiscal year 2021, we had proceeds from borrowings on our revolving credit facility of $40.0 million. We paid $13.2 million of dividends in fiscal year 2022 compared to paying $13.3 million of dividends in fiscal year 2021. Consistent with our historical dividend policy, our Board of Directors evaluates the appropriate dividend payment on a quarterly basis. We repurchased shares pursuant to a previously announced stock repurchase program, which drove cash outflow of $3.0 million in fiscal year 2022 and $3.6 million in fiscal year 2021. Future debt payments may be paid out of cash flows from operations or from future refinancing of our debt.

Revolving Credit Facility

As of June 30, 2022 we had a $125 million revolving credit facility with a maturity date of October 2024 that allowed for both issuances of letters of credit and cash borrowings. We also have an option to request an increase of the amount available for borrowing to $200 million, subject to participating banks' consent. The loans under the Credit Agreement could consist of, at our election, advances in U.S. dollars or advances in any other currency that was agreed to by the lenders. The proceeds are to be used for general corporate purposes including acquisitions. A portion of the revolving credit facility, not to exceed $10 million of the principal amount, was available for the issuance of letters of credit. At June 30, 2022, we had $1.7 million in letters of credit outstanding, which reduced our borrowing capacity on the revolving credit facility. At June 30, 2022 and June 30, 2021, we had $68.0 million and $40.0 million in borrowings outstanding, respectively.

The revolving credit facility requires us to comply with certain debt covenants, the most significant of which are the adjusted leverage ratio and the interest coverage ratio. The adjusted leverage ratio is defined as (a) consolidated total indebtedness minus unencumbered U.S. cash equivalents in excess of $15,000,000 provided that the maximum subtraction did not exceed $35,000,000 to (b) adjusted consolidated EBITDA, determined as of the end of each of our fiscal quarters for the then most recently ended four fiscal quarters, to not be greater than 3.00 to 1.00. The interest coverage ratio, for any period, of (a) Consolidated EBITDA for such period to (b) cash interest expense for such period, calculated on a consolidated basis in accordance with GAAP for the trailing four quarter period then ending, to not be less than 3.0 to 1.00. We were in compliance with all debt covenants of the revolving credit facility during the twelve-month period ended June 30, 2022.

The table below compares the adjusted leverage ratio and interest coverage ratio with the limits specified in the credit agreement.

Covenant	**At or For the Period Ended June 30, 2022**	**Limit As Specified in Credit Agreement**	**Excess**
Adjusted Leverage Ratio	1.77	≤ 3.00	1.23
Interest Coverage Ratio	27.00	≥ 3.00	24.00

Future Liquidity

We believe our principal sources of liquidity from available funds on hand, cash generated from operations, and the availability of borrowing under our revolving credit facility will be sufficient to meet our working capital and other operating needs for at least the next twelve months. Our Board of Directors declared quarterly dividends of $0.09 per share which was paid during our first quarter of fiscal year 2023. Future cash dividends are subject to approval by our Board of Directors and may be adjusted as business needs or market conditions change.

During fiscal year 2023, we expect to invest approximately $25 million in capital expenditures, particularly for machinery and equipment automation and technology upgrades. Additionally, we have short-term purchase obligations as of June 30, 2022 of approximately $53 million. Our purchase obligations are defined as agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms. Purchase obligations include contractual commitments for items such as raw materials, supplies, ocean freight, capital expenditures, services, and software acquisitions/license commitments. As of June 30, 2022, our short-term contractual obligations also included lease liability and a liability for SERP and severance future payments. Refer to Note 5 - Leases and Note 12 - Employee Benefit Plans, respectively, of Notes to Consolidated Financial Statements for details.

Our long-term purchase obligations as of June 30, 2022 are approximately $17 million and are of a similar nature to the aforementioned purchase obligations. In addition to the purchase obligations, as of June 30, 2022, our long-term contractual obligations also included lease liability, long-term debt, and a liability for SERP and severance future payments. Refer to Note 5 - Leases, Note 11 - Long-Term Debt and Revolving Credit Facility, and Note 12 - Employee Benefit Plans, respectively, of Notes to Consolidated Financial Statements for details. We continuously monitor for potential acquisitions that would enhance our capabilities and diversification while providing an opportunity for growth and improved profitability.

Our ability to generate cash from operations to meet our liquidity obligations could be adversely affected in the future by factors such as general economic and market conditions, lack of availability of raw material components in the supply chain, lack of availability or cost of manufacturing labor, loss of key contract customers, and other unforeseen circumstances. In particular, should demand for our products decrease significantly over the next 12 months, the available cash provided by operations could be adversely impacted.

Non-GAAP Financial Measures and Other Key Performance Indicators

This Management's Discussion and Analysis ("MD&A") contains non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with U.S. GAAP in the statements of operations, statements of comprehensive income, balance sheets, statements of cash flows, or statements of shareholders' equity of the company. The non-GAAP financial measures used within this MD&A include:

- organic net sales, defined as net sales excluding acquisition-related net sales;
- adjusted gross profit, defined as gross profit excluding acquisition-related inventory adjustments and COVID vaccine incentive costs;
- adjusted gross profit percentage, defined as adjusted gross profit as a percentage of net sales;
- adjusted operating income, defined as operating income (loss) excluding restructuring expenses, goodwill impairment, other general income (expense) which consists of a gain on a sale of a warehouse, market valuation adjustments related to our SERP liability, CEO transition costs, acquisition-related amortization and inventory valuation adjustments, costs of acquisition, contingent earn-out gain or loss, and COVID vaccine incentive costs;
- adjusted operating income percentage, defined as adjusted operating income as a percentage of net sales;
- adjusted net income, defined as net income (loss) excluding restructuring expenses, goodwill impairment, other general income (expense) which consists of a gain on a sale of a warehouse, CEO transition costs, acquisition-related amortization and inventory valuation adjustments, costs of acquisition, contingent earn-out gain or loss, and COVID vaccine incentive costs;
- adjusted diluted earnings per share, defined as diluted earnings (loss) per share excluding restructuring expenses, goodwill impairment, other general income (expense) which consists of a gain on a sale of a warehouse, CEO transition costs, acquisition-related amortization and inventory valuation adjustments, costs of acquisition, contingent earn-out gain or loss, and COVID vaccine incentive costs;
- adjusted EBITDA, defined as earnings before interest, statutory income tax impacts for taxable after-tax measures, depreciation, and amortization and excluding restructuring expenses, goodwill impairment, other general income (expense) which consists of a gain on a sale of a warehouse, CEO transition costs, acquisition-related inventory valuation adjustments, costs of acquisition, contingent earn-out gain or loss, and COVID vaccine incentive costs; and
- adjusted EBITDA percentage, defined as adjusted EBITDA as a percentage of net sales.

Reconciliations of the reported GAAP numbers to these non-GAAP financial measures are included in the tables below. Management believes it is useful for investors to understand and to be able to meaningfully trend, analyze and benchmark how our core operations performed without market value adjustments related to our SERP liability, without expenses incurred in executing our transformation restructuring plan, without CEO transition costs, without acquisition-related costs, without costs of the COVID vaccine incentive, and without the gain on sale of a warehouse. Many of our internal performance measures that management uses to make certain operating decisions exclude these expenses to enable meaningful trending of core operating metrics. These non-GAAP financial measures should not be viewed as an alternative to the GAAP measures and are presented as supplemental information.

Reconciliation of Non-GAAP Financial Measures and Other Key Performance Indicators

(Amounts in Thousands, Except for Per Share Data)

Organic Net Sales	**Year Ended June 30**	
	2022	**2021**
Net Sales, as reported	$ 665,877	$ 569,008
Less: Poppin acquisition net sales(1)	28,718	2,678
Organic Net Sales	$ 637,159	$ 566,330

(1) Poppin was acquired on December 9, 2020 and for fiscal years 2022 and 2021, organic net sales exclude Poppin acquisition net sales for the fiscal year-to-date periods ended December 31, 2021 and 2020.

Adjusted Gross Profit	**Year Ended June 30**	
	2022	**2021**
Gross Profit, as reported	$ 211,306	$ 182,428
Add: Pre-tax COVID vaccine incentive	1,569	0
Add: Pre-tax Acquisition-related Inventory Valuation Adjustment	282	536
Adjusted Gross Profit	$ 213,157	$ 182,964
Adjusted Gross Profit %	32.0 %	32.2 %

Adjusted Operating Income	**Year Ended June 30**	
	2022	**2021**
Operating Income (Loss), as reported	$ (14,039)	$ 1,521
Add: Pre-tax Restructuring Expense	10,489	10,727
Add: Pre-tax Goodwill Impairment	34,118	—
Add: Pre-tax Other General (Income) Expense(2)	(4,523)	—
Add: Pre-tax Expense Adjustment to SERP Liability	(1,922)	3,324
Add: Pre-tax CEO Transition Costs	—	564
Add: Pre-tax Acquisition-related Amortization	6,440	3,737
Add: Pre-tax Acquisition-related Inventory Valuation Adjustment	282	536
Add: Pre-tax Costs of Acquisition	—	3,579
Add: Pre-tax Contingent Earn-Out (Gain) Loss	(17,030)	(11,600)
Add: Pre-tax COVID Vaccine Incentive	2,709	—
Adjusted Operating Income	$ 16,524	$ 12,388
Net Sales	$ 665,877	$ 569,008
Adjusted Operating Income %	2.5 %	2.2 %

Adjusted Net Income	Year Ended June 30	
	2022	2021
Net Income (Loss), as reported	$ (15,714)	$ 7,416
Pre-tax Restructuring Expense	10,489	10,727
Tax on Restructuring Expense	(2,699)	(2,761)
Add: After-tax Restructuring Expense	7,790	7,966
Pre-tax Goodwill Impairment	34,118	—
Tax on Goodwill Impairment	—	—
Add: After-tax Goodwill Impairment	34,118	—
Pre-tax Other General (Income) Expense(2)	(4,523)	—
Tax on Other General (Income) Expense	1,164	—
Add: After-tax Other General (Income) Expense	(3,359)	—
Pre-tax CEO Transition Costs	—	564
Tax on CEO Transition Costs	—	(144)
Add: After-tax CEO Transition Costs	—	420
Pre-tax Acquisition-related Amortization	6,440	3,737
Tax on Acquisition-related Amortization	(1,658)	(962)
Add: After-tax Acquisition-related Amortization	4,782	2,775
Pre-tax Acquisition-related Inventory Valuation Adjustment	282	536
Tax on Acquisition-related Inventory Valuation Adjustment	(73)	(139)
Add: After-tax Acquisition-related Inventory Valuation Adjustment	209	397
Pre-tax Costs of Acquisition	—	3,579
Tax on Costs of Acquisition	—	(921)
Add: After-tax Costs of Acquisition	—	2,658
Pre-tax Contingent Earn-Out (Gain) Loss	(17,030)	(11,600)
Tax on Contingent Earn-Out (Gain) Loss	—	—
Add: After-tax Contingent Earn-Out (Gain) Loss	(17,030)	(11,600)
Pre-tax COVID Vaccine Incentive	2,709	—
Tax on COVID Vaccine Incentive	(697)	—
Add: After-tax COVID Vaccine Incentive	2,012	—
Adjusted Net Income	$ 12,808	$ 10,032

Adjusted Diluted Earnings Per Share	Year Ended June 30	
	2022	2021
Diluted Earnings (Loss) Per Share, as reported	$ (0.43)	$ 0.20
Add: After-tax Restructuring Expense	0.21	0.22
Add: After-tax Goodwill Impairment	0.93	—
Add: After-tax Other General (Income) Expense(2)	(0.09)	—
Add: After-tax CEO Transition Costs	—	0.01
Add: After-tax Acquisition-related Amortization	0.13	0.07
Add: After-tax Acquisition-related Inventory Valuation Adjustment	0.01	0.01
Add: After-tax Costs of Acquisition	—	0.07
Add: After-tax Contingent Earn-Out (Gain) Loss	(0.46)	(0.31)
Add: After-tax COVID Vaccine Incentive	0.05	—
Adjusted Diluted Earnings Per Share	$ 0.35	$ 0.27

Earnings Before Interest, Taxes, Depreciation, and Amortization excluding Restructuring Expense, Goodwill Impairment, Other General (Income) Expense, CEO Transition Costs, Acquisition-related Inventory Valuation Adjustment, Costs of Acquisition, Contingent Earn-Out (Gain) Loss, and COVID Vaccine Incentive (“Adjusted EBITDA”)

	Year Ended June 30	
	2022	**2021**
Net Income (Loss)	$ (15,714)	$ 7,416
Provision (Benefit) for Income Taxes	(1,706)	(2,806)
Income (Loss) Before Taxes on Income	(17,420)	4,610
Interest Expense	1,483	453
Interest Income	(129)	(336)
Depreciation	14,496	14,511
Amortization	9,614	6,683
Restructuring Expense	10,489	10,727
Goodwill Impairment	34,118	—
Other General (Income) Expense(2)	(4,523)	—
CEO Transition Costs	—	564
Acquisition-related Inventory Valuation Adjustment	282	536
Costs of Acquisition	—	3,579
Contingent Earn-Out (Gain) Loss	(17,030)	(11,600)
COVID Vaccine Incentive	2,709	—
Adjusted EBITDA	$ 34,089	$ 29,727
Net Sales	$ 665,877	$ 569,008
Net Income (Loss) %	(2.4%)	1.3 %
Adjusted EBITDA %	5.1 %	5.2 %

(2) Fiscal year 2022 Other General (Income) Expense consists of a gain realized on the sale of a warehouse totaling $4.5 million on a pre-tax basis and $3.4 million on an after-tax basis.

The order backlog metric is a key performance indicator representing firm orders placed by our customers which have not yet been fulfilled and are expected to be recognized as revenue during future quarters. The timing of shipments can vary, but generally the backlog of orders is expected to ship within a six-month period.

Return on Invested Capital is a key performance indicator calculated as: [(Earnings Before Interest, Taxes, Amortization, Restructuring Expense, CEO Transition Costs, Acquisition-related Inventory Valuation Adjustments, Goodwill Impairment, Costs of the Acquisition, Contingent Earn-out Gain/ Loss, COVID Vaccine Incentive, and Other General Income) multiplied by (1 minus Effective Tax Rate)] divided by (Total Shareholders’ Equity plus Net Debt). Net Debt is defined as current maturities of long-term debt plus long-term debt less cash, cash equivalents, and short-term investments.

Fair Value

During fiscal year 2022, no financial instruments were affected by a lack of market liquidity. Financial assets classified as level 1 assets were valued using readily available market pricing. For available-for-sale securities classified as level 2 assets, the fair values are determined based on market data which use evaluated pricing models and incorporate available trade, bid, and other market information. We evaluated the inputs used to value the instruments and validated the accuracy of the instrument fair values based on historical evidence. The investment in stock warrants and equity securities without readily determinable fair value of a privately-held company are classified as level 3 financial assets. The stock warrants are accounted for as a derivative instrument valued on a recurring basis considering the pricing of recent purchases or sales of the investment as well as positive and negative qualitative evidence, while the equity securities without readily determinable fair value are accounted for as a cost-method investment which carries the securities at cost, except in the event of impairment. The contingent earn-out liability is classified as a Level 3 financial liability and is valued based on a valuation model that measures the present value of the probable cash payments based upon the forecasted operating performance of the acquisition and a discount rate that captures the risk associated with the liability.

See Note 14 - Fair Value of Notes to Consolidated Financial Statements for more information.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. These principles require the use of estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and related notes. Actual results could differ from these estimates and assumptions. Management uses its best judgment in the assumptions used to value these estimates, which are based on current facts and circumstances, prior experience, and other assumptions that are believed to be reasonable. Management believes the following critical accounting policies reflect the more significant judgments and estimates used in preparation of our consolidated financial statements and are the policies that are most critical in the portrayal of our financial position and results of operations. Management has discussed these critical accounting policies and estimates with the Audit Committee of our Board of Directors and with our independent registered public accounting firm.

Revenue recognition - Revenue is measured as the amount of consideration we expect to receive in exchange for transferring distinct goods or providing services to customers. Our revenue consists substantially of product sales, and is reported net of sales discounts, rebates, incentives, returns, and other allowances offered to customers. We recognize revenue when performance obligations under the terms of contracts with our customers are satisfied, which occurs when control passes to a customer to enable them to direct the use of and obtain benefit from the product. This typically occurs when a customer obtains legal title, obtains the risks and rewards of ownership, has received the goods according to the contractual shipping terms either at the shipping point or destination, and is obligated to pay for the product. Shipping and handling activities are recognized as fulfillment activities and are expensed at the time revenue is recognized. We recognize sales net of applicable sales taxes and similar revenue-based taxes.

We use judgment in estimating the reduction in net sales driven by customer rebate and incentive programs. Judgments primarily include expected sales levels to be achieved and the corresponding rebate and incentive amounts expected to be earned by dealers and salespersons.

We also use judgment in estimating a reserve for returns and allowances which is recorded at the time of the sale, based on estimated product returns and price concessions. The reserve for returns and allowances is recorded in accrued expenses on the Consolidated Balance Sheets, and the expense is recorded as a reduction of net sales in the Consolidated Statements of Operations.

We perform ongoing credit evaluations of our customers and impair receivable balances by recording specific allowances for bad debts based on judgment using factors such as current trends, the length of time the receivables are past due, and historical collection experience. The allowance for accounts receivable balances that are determined likely to be uncollectible are a reduction in the receivables line of the Consolidated Balance Sheets, and the expense is recorded in selling and administrative expenses in the Consolidated Statements of Operations.

Inventory - Inventories are stated at the lower of cost or net realizable value. Cost includes material, labor, and applicable manufacturing overhead. Costs associated with underutilization of capacity are expensed as incurred. Inventories were valued using the last-in, first-out ("LIFO") method for approximately 51% and 67% of consolidated inventories at June 30, 2022 and June 30, 2021, respectively, and the remaining inventories were valued using the first-in, first-out ("FIFO") method and average cost method. The percentage of inventory subject to LIFO as of June 30, 2022 decreased as a result of higher Poppin inventory which is accounted for using the average cost method.

Inventory valued using the LIFO method requires judgement in the determination of appropriate indices used for evaluating price level changes and the application of indices to the various types of inventory within LIFO inventory pools. See Note 1 - Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements for further information regarding the LIFO calculation. As of June 30, 2022 and 2021, the LIFO reserve was $23.8 million and $18.2 million, respectively. Inventories recorded on our balance sheets are adjusted for excess and obsolete inventory. For inventory using the LIFO method, excess and obsolete inventory is determined based upon FIFO inventory values, but the LIFO reserve is adjusted to prevent recognizing excessive inventory reserves in total.

Self-insurance reserves - We are self-insured up to certain limits for automobile and general liability, workers' compensation, and certain employee health benefits such as medical, short-term disability, and dental, with the related liabilities included in the accompanying financial statements. Our policy is to estimate reserves based upon a number of factors, including known claims, estimated incurred but not reported claims, and other analyses, which are based on historical information, along with certain assumptions about future events. Changes in assumptions for such matters as a result of increased medical costs and changes in actual experience could cause these estimates to change and reserve levels to be adjusted accordingly. At June 30, 2022 and June 30, 2021, our accrued liabilities for self-insurance exposure were $2.3 million and $3.0 million, respectively.

Business Combinations, including Contingent Earn-Out Liability - We completed the acquisition of Poppin during the second quarter of fiscal year 2021. The accounting for a business combination requires tangible and intangible assets acquired and liabilities assumed to be recorded at estimated fair value. We valued intangible assets at their estimated fair values at the acquisition date based upon assumptions related to the future cash flows and discount rates utilizing currently available information, and in some cases, valuation results from independent valuation specialists. The use of a discounted cash flow analysis requires significant judgment to estimate the future cash flows derived from the asset and the expected period of time over which those cash flows will occur and to determine an appropriate discount rate.

The acquisition purchase price includes contingent payments if revenue and EBITDA milestones are achieved through June 30, 2024. The fair value at initial measurement was $31.8 million, and as of June 30, 2022, the fair value of the contingent earn-out liability was $3.2 million. We utilized management estimates and consultation with an independent third-party valuation firm to assist in the valuation process. The fair value of the contingent earn-out liability was estimated using the Monte Carlo Simulation methodology, which is a discounted cash flow method. The fair value determination of the contingent earn-out liability required significant estimates and assumptions related to the forecasts of revenue and EBITDA, and the selection of the discount and volatility rates.

Goodwill - Goodwill represents the difference between the purchase price and the related underlying tangible and intangible net asset fair values resulting from business combinations. Goodwill is assigned to and the fair value is tested at the reporting unit level. Annually, or if conditions indicate an earlier review is necessary, we may assess qualitative factors to determine if it is more likely than not that the fair value is less than its carrying amount. We also have the option to bypass the qualitative assessment and proceed directly to performing the quantitative goodwill impairment test which compares the carrying value of the reporting unit to the reporting unit's fair value to identify impairment. Using the quantitative test, we determine the fair value of our reporting unit generally using market data, appraised values and discounted cash flow analyses. The use of a discounted cash flow analysis requires significant judgment to estimate the future cash flows derived from the business and the period of time over which those cash flows will occur, as well as to determine an appropriate discount rate. Under the quantitative assessment, if the fair value of the reporting unit is less than the carrying value, goodwill is written down to its fair value. The fair value is established primarily using a discounted cash flow analysis and secondarily a market approach utilizing current industry information. The calculation of the fair value of the reporting unit considers current market conditions existing at the assessment date. During fiscal year 2022, we recognized goodwill impairment of $34.1 million. During fiscal year 2021 no goodwill impairment was recognized. At June 30, 2022 and June 30, 2021, goodwill totaled $47.8 million and $82.0 million, respectively.

New Accounting Standards

See Note 1 - Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements for information regarding New Accounting Standards.

Item 7A - *Quantitative and Qualitative Disclosures About Market Risk*

Commodity Risk: We are exposed to market risk with respect to commodity price fluctuations for components used in the manufacture of our products, primarily related to wood and wood-related components, steel, aluminum, foam, and plastics. These components are impacted by global pricing pressures, general economic conditions, and changes in tariff rates. We strive to offset increases in the cost of these materials through supplier negotiations, global sourcing initiatives, and product re-engineering and parts standardization. We are also exposed to fluctuations in transportation costs, which may continue to remain at elevated levels depending on freight carrier capacity and fuel prices. Transportation costs are managed by optimizing logistics and supply chain planning.

Interest Rate Risk: During fiscal year 2022, we entered into an interest rate swap agreement with a notional value of $40.0 million to mitigate the interest rate risk related to our variable rate borrowings on our revolving line of credit.

Foreign Exchange Rate Risk: We have minimal foreign currency risk and held no derivative securities to hedge foreign currency risk as of June 30, 2022 and June 30, 2021.

Item 8 - ***Financial Statements and Supplementary Data***

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Kimball International, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting and for the preparation and integrity of the accompanying financial statements and other related information in this report. The consolidated financial statements of the Company and its subsidiaries, including the footnotes, were prepared in accordance with accounting principles generally accepted in the United States of America and include judgments and estimates, which in the opinion of management are applied appropriately. We maintain a system of internal and disclosure controls intended to provide reasonable assurance that assets are safeguarded from loss or material misuse, transactions are authorized and recorded properly, and that the accounting records may be relied upon for the preparation of the financial statements. This system is tested and evaluated regularly for adherence and effectiveness by employees who work within the internal control processes, by our staff of internal auditors, as well as by the independent registered public accounting firm in connection with their annual audit.

The Audit Committee of the Board of Directors, which is comprised of directors who are not employees of the Company, meets regularly with management, our internal auditors, and the independent registered public accounting firm to review our financial policies and procedures, our internal control structure, the objectivity of our financial reporting, and the independence of the independent registered public accounting firm. The internal auditors and the independent registered public accounting firm have free and direct access to the Audit Committee, and they meet periodically, without management present, to discuss appropriate matters.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation.

These consolidated financial statements are subject to an evaluation of internal control over financial reporting conducted under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, conducted under the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, management concluded that our internal control over financial reporting was effective as of June 30, 2022.

Deloitte & Touche LLP, our independent registered public accounting firm, has issued an audit report on our internal control over financial reporting which is included herein.

/s/ KRISTINE L. JUSTER

Kristine L. Juster
Chief Executive Officer
August 31, 2022

/s/ TIMOTHY J. WOLFE

Timothy J. Wolfe
Chief Financial Officer
August 31, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Kimball International, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Kimball International, Inc. and subsidiaries (the "Company") as of June 30, 2022 and 2021, 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, 2022, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of June 30, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Inventory – Last-In, First-Out Reserve — Refer to Notes 1 and 8 to the financial statements

Critical Audit Matter Description

The Company recognizes a substantial portion of its inventory using the last-in, first-out ("LIFO") method. There is judgment inherent in management's determination of the appropriate indices to use for evaluating price level changes relevant to the determination of the LIFO cost of inventory at each period-end. Further, there is inherent complexity in the accounting for the interaction between the determination of the LIFO reserve and other aspects of inventory valuation such as the analysis of excess and obsolete inventories and the evaluation of the lower of cost or market adjustment.

The LIFO reserve is calculated under the inventory price index computation method in which inventory items are grouped by pools and are priced in terms of each pool's aggregate base year cost. The result is compared with each pool's aggregate base year cost as of the end of the prior year to determine whether the inventory level of each LIFO pool has increased or whether a portion of the inventory has been liquidated. The determination of the pool's base year costs involves judgement, particularly as it relates to the process of determining the appropriate indices to apply to the various inventory types within the inventory pools. Additionally, there is judgment involved in determining whether the ending LIFO reserve is sufficient to conclude the inventory is valued at the lower of cost or market. As of June 30, 2022, the LIFO reserve was $23.8 million offset against $121.7 million of FIFO inventory, resulting in net inventory of $98 million.

We identified the LIFO reserve as a critical audit matter because of the judgments necessary to determine the appropriate indices for evaluation of price level changes and due to the complexity of interaction between the determination of the LIFO reserve, the excess and obsolete inventory and the lower of cost or market adjustments. This required significant audit effort due to a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to testing the appropriateness of the LIFO reserve included the following, among others:

- We tested the effectiveness of the control over the LIFO reserve calculation, including management's control over the key inputs of the calculation for inventory valuation.
- We obtained management's LIFO reserve calculation and performed the following:
    - Evaluated the reconciliation of the gross inventory balances used within the LIFO reserve calculation to the inventory subledger and general ledger.
    - For a sample of individual inventory items, tested the completeness and accuracy of the LIFO reserve calculation by evaluating whether the selected items were included in the LIFO reserve calculation and in the appropriate category based on their assigned index.
    - For a sample of individual inventory items, tested the appropriateness of the assigned index for each selected inventory part by comparing such index category against the nature of the material based on documentary evidence and corroboration with individuals outside of the accounting department.
    - Tested the mathematical accuracy of management's LIFO pool calculation and the aggregation of the pools to arrive at the final LIFO reserve.
    - Evaluated the Company's position regarding the adequacy of the excess and obsolete inventory adjustments in comparison to the LIFO reserve in order to record inventory at the lower of cost or market.

Goodwill — Refer to Notes 1 and 14 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company used a discounted cash flow model to estimate fair value, which requires management to make significant estimates and assumptions related to discount rates and forecasts of future revenues and EBITDA margins. Changes in these assumptions could have a significant impact on either the fair value, the amount of any goodwill impairment charge, or both. The goodwill balance was $47.8 million as of June 30, 2022, of which $36.7 relates to the Poppin reporting unit ("Poppin"). On October 31, 2021, which is the Company's annual goodwill impairment test date, the carrying value of Poppin was determined to exceed its fair value by $34.1 million, at which point, the Company recorded an impairment to goodwill for such amount.

Given the significant judgments made by management to estimate the fair value of Poppin and the difference between its fair value and carrying value, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to selection of the discount rate and forecasts of future revenue and EBITDA margin, specifically in consideration of the limited historical results observable for Poppin as a part of the Company, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the discount rate and forecasts of future revenue and EBITDA margin used by management to estimate the fair value of the company included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value of the company, such as controls related to management's selection of the discount rate and forecasts of future revenue and EBITDA margin.
- We evaluated management's ability to accurately forecast future revenues and EBITDA margins by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's revenue and EBITDA margin forecasts by comparing the forecasts to:
    - Historical revenues and EBITDA margins.
    - Internal communications to management and the Board of Directors.
    - Forecasted information industry reports for the Company and certain of its peer companies.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rate by:
    - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
    - Developing a range of independent estimates and comparing those to the discount rate selected by management.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Indianapolis, Indiana

August 31, 2022

We have served as the Company's auditor since 2002.

KIMBALL INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except for Share and Per Share Data)

	June 30, 2022	June 30, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 10,934	$ 24,336
Receivables, net of allowances of $1,041 and $1,121, respectively	79,301	58,708
Inventories	97,969	54,291
Prepaid expenses and other current assets	30,937	22,012
Total current assets	219,141	159,347
Property and Equipment, net of accumulated depreciation of $188,530 and $191,757, respectively	96,970	90,623
Right-of-use Operating Lease Assets	12,839	14,654
Goodwill	47,844	81,962
Other Intangible Assets, net of accumulated amortization of $54,553 and $41,796, respectively	54,767	64,478
Deferred Tax Assets	14,472	16,368
Other Assets	15,245	17,163
Total Assets	$ 461,278	$ 444,595
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 33	$ 30
Accounts payable	70,936	41,537
Customer deposits	29,706	24,438
Current portion of operating lease liability	6,096	6,590
Dividends payable	3,623	3,532
Accrued expenses	41,088	39,115
Total current liabilities	151,482	115,242
Other Liabilities:		
Long-term debt, less current maturities	68,046	40,079
Long-term earn-out liability	3,160	20,190
Long-term operating lease liability	12,150	12,536
Other	12,904	16,878
Total other liabilities	96,260	89,683
Shareholders' Equity:		
Common stock-par value $0.05 per share:		
Class A - Shares authorized: 50,000,000 Shares issued: 167,000 and 188,000, respectively	8	9
Class B - Shares authorized: 100,000,000 Shares issued: 42,856,000 and 42,835,000, respectively	2,143	2,142
Additional paid-in capital	6,304	5,298
Retained earnings	269,833	299,034
Accumulated other comprehensive income	3,766	1,980
Less: Treasury stock, at cost, 6,179,000 shares and 6,148,000 shares, respectively	(68,518)	(68,793)
Total Shareholders' Equity	213,536	239,670
Total Liabilities and Shareholders' Equity	$ 461,278	$ 444,595

See Notes to Consolidated Financial Statements

KIMBALL INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Thousands, Except for Per Share Data)

	Year Ended June 30		
	2022	**2021**	**2020**
Net Sales	$ 665,877	$ 569,008	$ 727,859
Cost of Sales	454,571	386,580	477,098
Gross Profit	211,306	182,428	250,761
Selling and Administrative Expenses	202,291	181,780	187,885
Other General (Income) Expense	(4,523)	—	—
Contingent Earn-Out (Gain) Loss	(17,030)	(11,600)	—
Restructuring Expense	10,489	10,727	8,489
Goodwill Impairment	34,118	—	—
Operating Income (Loss)	(14,039)	1,521	54,387
Other Income (Expense):			
Interest income	129	336	1,641
Interest expense	(1,483)	(453)	(79)
Non-operating income	617	3,860	932
Non-operating expense	(2,644)	(654)	(751)
Other income (expense), net	(3,381)	3,089	1,743
Income (Loss) Before Taxes on Income	(17,420)	4,610	56,130
Provision (Benefit) for Income Taxes	(1,706)	(2,806)	15,076
Net Income (Loss)	$ (15,714)	$ 7,416	$ 41,054
Earnings (Loss) Per Share of Common Stock:			
Basic Earnings (Loss) Per Share	$ (0.43)	$ 0.20	$ 1.11
Diluted Earnings (Loss) Per Share	$ (0.43)	$ 0.20	$ 1.11
Class A and B Common Stock:			
Average Number of Shares Outstanding - Basic	36,798	36,901	36,883
Average Number of Shares Outstanding - Diluted	36,798	37,372	37,037

See Notes to Consolidated Financial Statements

KIMBALL INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in Thousands)

	Year Ended June 30, 2022			Year Ended June 30, 2021			Year Ended June 30, 2020		
	Pre-tax	Tax	Net of Tax	Pre-tax	Tax	Net of Tax	Pre-tax	Tax	Net of Tax
Net income (loss)			$ (15,714)			$ 7,416			$ 41,054
Other comprehensive income (loss):									
Available-for-sale securities	$ —	$ —	$ —	$ (44)	$ 12	$ (32)	$ 12	$ (3)	$ 9
Postemployment severance actuarial change	941	(242)	699	258	(66)	192	596	(154)	442
Unrealized gain (loss) on interest rate swap	1,793	(462)	1,331	—	—	—	—	—	—
Reclassification to (earnings) loss:									
Amortization of actuarial change	(522)	134	(388)	(427)	110	(317)	(338)	87	(251)
Interest rate swap	194	(50)	144	—	—	—	—	—	—
Other comprehensive income (loss)	$ 2,406	$ (620)	$ 1,786	$ (213)	$ 56	$ (157)	$ 270	$ (70)	$ 200
Total comprehensive income (loss)			$ (13,928)			$ 7,259			$ 41,254

See Notes to Consolidated Financial Statements

KIMBALL INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended June 30		
	2022	**2021**	**2020**
Cash Flows From Operating Activities:			
Net income (loss)	$ (15,714)	$ 7,416	$ 41,054
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation	14,496	14,511	15,107
Amortization	9,614	6,683	2,402
Loss (Gain) on sales of assets	(4,505)	(80)	81
Restructuring and asset impairment charges	6,375	2,998	4,493
Deferred income tax and other deferred charges	1,265	(3,019)	1,206
Goodwill impairment	34,118	—	—
Stock-based compensation	5,143	5,676	4,919
Change in long-term earn-out liability	(17,030)	(11,600)	—
Other, net	(1,080)	(1,427)	3,096
Change in operating assets and liabilities:			
Receivables	(20,658)	12,717	(5,247)
Inventories	(43,678)	11,185	(3,045)
Prepaid expenses and other current assets	(8,694)	(3,503)	(3,105)
Accounts payable	27,865	(6,643)	(8,341)
Customer deposits	5,268	2,744	(4,962)
Accrued expenses	2,642	(10,364)	(17,860)
Net cash provided by (used for) operating activities	(4,573)	27,294	29,798
Cash Flows From Investing Activities:			
Capital expenditures	(21,188)	(14,490)	(17,551)
Proceeds from sales of assets	5,435	821	84
Cash paid for acquisitions	—	(101,478)	—
Purchases of capitalized software	(3,923)	(5,044)	(3,525)
Purchases of available-for-sale securities	—	(10,000)	(24,977)
Maturities of available-for-sale securities	—	15,250	52,884
Other, net	(187)	(1,043)	(774)
Net cash provided by (used for) investing activities	(19,863)	(115,984)	6,141
Cash Flows From Financing Activities:			
Proceeds from revolving credit facility	113,000	40,000	—
Payments on revolving credit facility	(85,000)	—	—
Repayments of long-term debt	(30)	(27)	(25)
Dividends paid to shareholders	(13,237)	(13,285)	(12,921)
Repurchases of Common Stock	(3,048)	(3,553)	(3,004)
Repurchase of employee shares for tax withholding	(980)	(1,162)	(1,382)
Net cash provided by (used for) financing activities	10,705	21,973	(17,332)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash [(1)]	(13,731)	(66,717)	18,607
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year [(1)]	25,727	92,444	73,837
Cash, Cash Equivalents, and Restricted Cash at End of Year [(1)]	$ 11,996	$ 25,727	$ 92,444
Supplemental Disclosure of Cash Flow Information			
Non-cash items:			
Initial contingent earn-out liability for Poppin, Inc. acquisition	$ —	$ 31,790	$ —

(1)The following table reconciles cash and cash equivalents in the balance sheets to cash, cash equivalents, and restricted cash per the statements of cash flows. The restricted cash included in other assets on the balance sheet represents amounts pledged as collateral for a long-term financing arrangement as contractually required by a lender. The restriction will lapse when the related long-term debt is paid off. Restricted cash also included customer deposits held due to a foreign entity being classified as a restricted entity by a government agency subsequent to our receipt of the deposit and beginning in fiscal year 2021 cash held in escrow for letters of credit that Poppin, Inc. obtained prior to its acquisition.

(Amounts in Thousands)	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**
Cash and Cash Equivalents	$ 10,934	$ 24,336	$ 91,798	$ 73,196
Restricted Cash Included in Other Assets	1,062	1,391	646	641
Total Cash, Cash Equivalents, and Restricted Cash at End of Year	$ 11,996	$ 25,727	$ 92,444	$ 73,837

See Notes to Consolidated Financial Statements

KIMBALL INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in Thousands, Except for Share and Per Share Data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	Class A	Class B					
Amounts at June 30, 2019	$ 12	$ 2,139	$ 3,570	$ 277,391	$ 1,937	$ (68,559)	$ 216,490
Net income				41,054			41,054
Other comprehensive income (loss)					200		200
Issuance of non-restricted stock (34,000 shares)			(440)			440	—
Conversion of Class A to Class B common stock (58,000 shares)	(2)	2	(21)			21	—
Compensation expense related to stock incentive plans			5,454				5,454
Performance share issuance (67,000 shares)			(1,391)			879	(512)
Restricted stock units issuance (99,000 shares)			(1,768)			1,313	(455)
Relative total shareholder return performance units issuance (48,000 shares)			(954)			624	(330)
Reclassification of equity-classified awards			(680)				(680)
Repurchase of Common Stock (146,000 shares)						(3,004)	(3,004)
Dividends declared ($0.36 per share)				(13,421)			(13,421)
Amounts at June 30, 2020	$ 10	$ 2,141	$ 3,770	$ 305,024	$ 2,137	$ (68,286)	$ 244,796
Net income				7,416			7,416
Other comprehensive income (loss)					(157)		(157)
Issuance of non-restricted stock (45,000 shares)			(617)			594	(23)
Conversion of Class A to Class B common stock (5,000 shares)	(1)	1					—
Compensation expense related to stock incentive plans			5,676				5,676
Restricted stock units issuance (163,000 shares)			(2,945)			2,140	(805)
Relative total shareholder return performance units issuance (32,000 shares)			(586)			430	(156)
Cumulative effect of change in accounting principle				134			134
Repurchase of Common Stock (278,000 shares)						(3,671)	(3,671)
Dividends declared ($0.36 per share)				(13,540)			(13,540)
Amounts at June 30, 2021	$ 9	$ 2,142	$ 5,298	$ 299,034	$ 1,980	$ (68,793)	$ 239,670
Net income (loss)				(15,714)			(15,714)
Other comprehensive income (loss)					1,786		1,786
Issuance of non-restricted stock (45,000 shares)			(597)			591	(6)
Conversion of Class A to Class B common stock (5,000 shares)	(1)	1					—
Compensation expense related to stock incentive plans			5,143				5,143
Restricted stock units issuance (204,000 shares)			(3,436)			2,654	(782)
Relative total shareholder return performance units issuance (5,000 shares)			(104)			72	(32)
Repurchase of Common Stock (285,000 shares)						(3,042)	(3,042)
Dividends declared ($0.36 per share)				(13,487)			(13,487)
Amounts at June 30, 2022	$ 8	$ 2,143	$ 6,304	$ 269,833	$ 3,766	$ (68,518)	$ 213,536

See Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of all subsidiaries. All intercompany balances and transactions have been eliminated in the consolidation.

Operating Segments: Our operating segments are aligned with our four business units: Workplace, Health, Hospitality, and eBusiness. Our portfolio of furniture products and services are sold across all business units under our family of brands: Kimball, National, Etc., Interwoven, Kimball Hospitality, D'Style, and Poppin. Our four operating segments aggregate into one reportable segment as they have similar products and services in nature, use similar production and distribution processes, sell to similar types of customers, and share similar long-term economic characteristics.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts included in the consolidated financial statements and related note disclosures. While efforts are made to assure estimates used are reasonably accurate based on management's knowledge of current events, actual results could differ from those estimates.

Revenue Recognition: Revenue is measured as the amount of consideration we expect to receive in exchange for transferring distinct goods or providing services to customers. Our revenue consists substantially of product sales, and is reported net of sales discounts, rebates, incentives, returns, and other allowances offered to customers. We recognize revenue when performance obligations under the terms of contracts with our customers are satisfied, which occurs when control passes to a customer to enable them to direct the use of and obtain benefit from the product. This typically occurs when a customer obtains legal title, obtains the risks and rewards of ownership, has received the goods according to the contractual shipping terms either at the shipping point or destination, and is obligated to pay for the product. Shipping and handling activities are recognized as fulfillment activities and are expensed at the time revenue is recognized. We recognize sales net of applicable sales taxes and similar revenue-based taxes. We use judgment in estimating the reduction in net sales driven by customer rebate and incentive programs. Judgments primarily include expected sales levels to be achieved and the corresponding rebate and incentive amounts expected to be earned by dealers and salespersons. We also use judgment in estimating a reserve for returns and allowances which is recorded at the time of the sale, based on estimated product returns and price concessions. The reserve for returns and allowances is recorded in Accrued Expenses on the Consolidated Balance Sheets, and the expense is recorded as a reduction of Net Sales in the Consolidated Statements of Operations. We perform ongoing credit evaluations of our customers and impair receivable balances by recording specific allowances for bad debts based on judgment using factors such as current trends, the length of time the receivables are past due, and historical collection experience. The allowance for accounts receivable balances that are determined likely to be uncollectible are a reduction in the Receivables line of the Consolidated Balance Sheets, and the expense is recorded in Selling and Administrative Expenses in the Consolidated Statements of Operations.

Cash and Cash Equivalents: Cash equivalents consist primarily of highly liquid investments with original maturities of three months or less at the time of acquisition. Cash and cash equivalents consist of bank accounts and money market funds. Bank accounts are stated at cost, which approximates fair value, and money market funds are stated at fair value.

Notes Receivable and Trade Accounts Receivable: Our notes receivable and trade accounts receivable are recorded per the terms of the agreement or sale, and accrued interest is recognized when earned. We determine on a case-by-case basis the cessation of accruing interest, the resumption of accruing interest, the method of recording payments received on nonaccrual receivables, and the delinquency status for our limited number of notes receivable.

Our policy for estimating the allowance for credit losses on trade accounts receivable and notes receivable considers several factors including historical write-off experience, overall customer credit quality in relation to general economic and market conditions, and specific customer account analyses to estimate the collectability of certain accounts. The specific customer account analyses considers such items as aging, credit worthiness, payment history, and historical bad debt experience. Trade accounts receivable and notes receivable are written off after exhaustive collection efforts occur and the receivable is deemed uncollectible. Our limited amount of notes receivable allows management to monitor the risks, credit quality indicators, collectability, and probability of impairment on an individual basis. Adjustments to the allowance for credit losses are recorded in selling and administrative expenses. Customary terms require payment within 30 days, with terms beyond 30 days being considered extended.

Inventories: Inventories are stated at the lower of cost or net realizable value. Cost includes material, labor, and applicable manufacturing overhead. Costs associated with underutilization of capacity are expensed as incurred. Inventory cost was determined using the last-in, first-out ("LIFO") method for approximately 51% and 67% of consolidated inventories at June 30, 2022 and June 30, 2021, respectively. The remaining inventories were valued using the first-in, first-out ("FIFO") method and average cost method.

The cost of inventory valued under the LIFO method is calculated using the inventory price index computation ("IPIC") method, in which external indexes are used to calculate inflation for the purpose of valuing LIFO inventories. Under this method, inventory is grouped into LIFO pools consisting of inventory with similar productive activities, including methods of obtaining, processing, and selling inventory. A cumulative inflation index is computed for each LIFO pool, calculated as the weighted average inflation rate of the various inventory categories making up the pool. Our source of LIFO inflation indices is the producer price index ("PPI") published by the U.S. Bureau of Labor Statistics. We assign PPI categories to similar types of inventory items in order to measure inflation for each type of inventory. The pools' cumulative indexes are used to deflate the inventory current-year cost to base period prices, which is then compared to the prior year's inventory valued at base period prices. If the current year's inventory at base is greater than the previous year's inventory at base, the increment is multiplied by the pool cumulative inflation index to price the LIFO layer. If the current year's inventory at base is less than the previous year's inventory at base, the decrement erodes a previous LIFO layer and is priced using the index originally used to price the layer. A LIFO reserve is calculated as the difference between the FIFO value and the total computed LIFO layers. The LIFO reserve reduces the value of FIFO inventory to LIFO cost. During periods of rising prices, the LIFO method generally results in higher current costs being charged against income while lower costs are retained in inventories. Conversely, during periods of decreasing prices, the LIFO method generally results in lower current costs being charged against income and higher stated inventories.

Inventories are adjusted for excess and obsolete inventory. Evaluation of excess inventory includes such factors as anticipated usage, inventory turnover, inventory levels, and product demand levels. Factors considered when evaluating obsolescence include the age of on-hand inventory and reduction in value due to damage, use as showroom samples, design changes, or cessation of product lines. For inventory valued using the LIFO method, excess and obsolete inventory is determined based upon FIFO inventory values, but the LIFO reserve is adjusted to prevent recognizing excessive inventory reserves in total.

Property, Equipment, and Depreciation: Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of the assets using the straight-line method for financial reporting purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Major maintenance activities and improvements are capitalized; other maintenance, repairs, and minor renewals are expensed. Depreciation and expenses for maintenance, repairs and minor renewals are included in both the Cost of Sales line and the Selling and Administrative Expenses line of the Consolidated Statements of Operations.

Impairment of Long-Lived Assets: We perform reviews for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. When an impairment is identified, the carrying amount of the asset is reduced to its estimated fair value. Assets to be disposed of are recorded at the lower of net book value or fair market value less cost to sell at the date management commits to a plan of disposal. The impairments of long-lived assets were primarily related to our transformation restructuring plan and are described in Note 3. Restructuring of Notes to Consolidated Financial Statements.

Business Combinations: The purchase price of an acquired company is allocated between tangible and intangible assets acquired and liabilities assumed from the acquired business based on their estimated fair values, with the residual of the purchase price recorded as goodwill. The results of operations of the acquired business are included in our operating results from the day of acquisition. Any contingent earn-out liability is assessed quarterly and is recorded at fair value as of the reporting date.

Goodwill and Other Intangible Assets: Goodwill represents the difference between the purchase price and the related underlying tangible and intangible net asset fair values resulting from business acquisitions. Goodwill is assigned to and the fair value is tested at the reporting unit level. Annually, or if conditions indicate an earlier review is necessary, we may assess qualitative factors to determine if it is more likely than not that the fair value is less than its carrying amount. We also have the option to bypass the qualitative assessment and proceed directly to performing the quantitative goodwill impairment test which compares the carrying value of the reporting unit to the reporting unit's fair value to identify impairment. Under the quantitative assessment, if the fair value of the reporting unit is less than the carrying value, goodwill is written down to its fair value. The fair value is established primarily using a discounted cash flow analysis and secondarily a market approach utilizing current industry information. The calculation of the fair value of the reporting unit considers current market conditions existing at the assessment date and reporting unit specific scenarios weighted on probability of outcome.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, and determination of our weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit. While we have historically performed goodwill impairment testing annually during the second fiscal quarter, changes in circumstances may require interim assessments of the carrying amounts of our reporting units relative to their fair values.

In connection with our annual goodwill impairment test, we assessed goodwill at the reporting unit level for impairment during our second quarter of fiscal year 2022 and based on our analysis our Poppin reporting unit had a carrying amount that exceeded its fair value. A forecast revision to delay future sales and earnings growth of the Poppin reporting unit drove the decline in the fair value of the reporting unit, which was primarily attributable to changes in demand due to the ongoing COVID-19 pandemic and supply chain constraints. As a result, we recorded goodwill impairment of $34.1 million during the second quarter of fiscal year 2022.

During fiscal year 2021, no goodwill impairment was recognized, and we recorded $70.8 million in goodwill from the acquisition of Poppin, Inc.

The changes in the carrying amount of goodwill are summarized as follows:

(Amounts in Thousands)	Gross Goodwill	Accumulated Impairment	Net Carrying Amount
June 30, 2020	$ 12,893	$ (1,733)	$ 11,160
Additions / (Impairments)	70,802	—	70,802
June 30, 2021	83,695	(1,733)	81,962
Additions / (Impairments)	—	(34,118)	(34,118)
June 30, 2022	$ 83,695	$ (35,851)	$ 47,844

Other Intangible Assets reported on the Consolidated Balance Sheets consist of capitalized software, acquired technology, customer relationships, trade names, non-compete agreements and patents and trademarks. Intangible assets are reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable over the remaining lives of the assets. During fiscal year 2022 upon announcement of the planned closure of our manufacturing space in Tijuana, Mexico and warehouse in Chula Vista, California, we recognized a $3.8 million impairment of the D'Style customer relationship intangible asset because the carrying value exceeded projected cash flows. The impairment of the customer relationship intangible asset is included in the Restructuring Expense line of the Consolidated Statements of Operations. A summary of intangible assets subject to amortization is as follows:

	June 30, 2022			June 30, 2021		
(Amounts in Thousands)	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value
Capitalized Software	$ 46,246	$ 35,521	$ 10,725	$ 43,200	$ 34,058	$ 9,142
Customer Relationships	19,050	10,518	8,532	19,050	3,936	15,114
Trade Names	36,570	6,811	29,759	36,570	3,154	33,416
Acquired Technology	7,000	1,563	5,437	7,000	559	6,441
Patents and Trademarks	354	47	307	354	16	338
Non-Compete Agreements	100	93	7	100	73	27
Other Intangible Assets	$ 109,320	$ 54,553	$ 54,767	$ 106,274	$ 41,796	$ 64,478

During fiscal years 2022, 2021, and 2020, amortization expense of other intangible assets was, in thousands, $9,614, $6,683, and $2,402, respectively. Amortization expense in future periods is expected to be, in thousands, $9,163, $8,965, $8,767, $8,495, and $6,171 in the five years ending June 30, 2027, and $13,206 thereafter.

A summary of the useful lives of intangible assets subject to amortization is as follows:

	Years
Capitalized Software	3 to 13
Customer Relationships	10
Trade Names	10
Acquired Technology	7
Patents	14
Trademarks	15
Non-Compete Agreements	5

Capitalized software is stated at cost less accumulated amortization and is amortized using the straight-line method. During the software application development stage, capitalized costs include external consulting costs, cost of software licenses, and internal payroll and payroll-related costs for employees who are directly associated with a software project. Upgrades and enhancements are capitalized if they result in added functionality which enable the software to perform tasks it was previously incapable of performing. Software maintenance, training, data conversion, and business process re-engineering costs are expensed in the period in which they are incurred.

Trade names, non-compete agreements, acquired technology, patents and trademarks are amortized on a straight-line basis over their estimated useful lives. Customer relationships are amortized based on estimated attrition rates of customers. We have no intangible assets with indefinite useful lives which are not subject to amortization.

Research and Development: The costs of research and development are expensed as incurred. Research and development costs were approximately, in millions, $11, $10, and $5 in fiscal years 2022, 2021, and 2020, respectively.

Advertising: Advertising costs are expensed as incurred. Advertising costs, included in selling and administrative expenses were, in millions, $8.3, $4.9, and $4.1, in fiscal years 2022, 2021, and 2020, respectively.

Insurance and Self-insurance: We are self-insured for certain employee health benefits including medical, short-term disability, and dental. Our self-insured reserves are estimated based upon a number of factors including known claims, estimated incurred but not reported claims, and other analyses, which are based on historical information along with certain assumptions about future events. We carry medical coverage for our eligible workforce not covered by self-insured plans. Insurance benefits are not provided to retired employees.

We also participate, along with other companies, in a group captive insurance company ("Captive"). The Captive insures losses related to worker's compensation, motor vehicle liability, product liability, and general liability. The Captive reinsures catastrophic losses for all participants, including Kimball International, in excess of predetermined amounts. We pay premiums to the Captive which accumulate as a prepaid deposit estimated for losses related to the above coverage. We also maintain a reserve for outstanding unpaid workers' compensation claims, including an estimate of incurred but not reported claims.

Additionally, we purchase insurance coverage for property insurance, director and officer liability insurance, umbrella coverage, and other risks.

Income Taxes: Deferred income taxes are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. We evaluate the recoverability of deferred tax assets each quarter by assessing the likelihood of future taxable income and available tax planning strategies that could be implemented to realize our deferred tax assets. If recovery is not likely, we provide a valuation allowance based on our best estimate of future taxable income in the various taxing jurisdictions and the amount of deferred taxes ultimately realizable. Future events could change management's assessment. We classify net deferred tax assets and liabilities as non-current assets in our consolidated balance sheets.

We operate within multiple taxing jurisdictions and are subject to tax audits in these jurisdictions. These audits can involve complex uncertain tax positions, which may require an extended period of time to resolve. A tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. We maintain a liability for uncertain income tax and other tax positions, including accrued interest and penalties on those positions. As tax positions are effectively settled, the tax liability is adjusted accordingly. We recognize interest and penalties related to unrecognized tax benefits in the Provision for Income Taxes line of the Consolidated Statements of Operations.

Off-Balance Sheet Risk: Our off-balance sheet arrangements are limited to standby letters of credit and performance bonds entered into in the normal course of business as described in Note 10 - Commitments and Contingent Liabilities of Notes to Consolidated Financial Statements.

Other General (Income) Expense: Other General (Income) Expense includes a $4.5 million gain related to the sale of a warehouse during fiscal year 2022.

Non-operating Income and Expense: Non-operating income and expense include the impact of such items as fair value adjustments on Supplemental Employee Retirement Plan ("SERP") investments, amortization of actuarial income, foreign currency rate movements, bank charges, and other miscellaneous non-operating income and expense items that are not directly related to operations. The gain or loss on SERP investments is offset by a change in the SERP liability that is recognized in selling and administrative expenses.

Foreign Currency Translation: Our foreign operations use the U.S. Dollar as their functional currency. Foreign currency assets and liabilities are remeasured into functional currencies at end-of-period exchange rates, except for nonmonetary assets and equity, which are remeasured at historical exchange rates. Revenue and expenses are remeasured at the weighted average exchange rate during the fiscal year, except for expenses related to nonmonetary assets, which are remeasured at historical exchange rates. Gains and losses from foreign currency remeasurement are reported in the Non-operating income or expense line item on the Consolidated Statements of Operations.

Derivative Instruments and Hedging Activities: Derivative financial instruments are recognized on the balance sheet as assets and liabilities and are measured at fair value. Changes in the fair value of derivatives are recorded each period in earnings or accumulated other comprehensive income, depending on whether a derivative is designated and effective as part of a hedge transaction, and if it is, the type of hedge transaction. Hedge accounting is utilized when a derivative is expected to be highly effective upon execution and continues to be highly effective over the duration of the hedge transaction. Hedge accounting permits gains and losses on derivative instruments to be deferred in accumulated other comprehensive income and subsequently included in earnings in the periods in which earnings are affected by the hedged item, or when the derivative is determined to be ineffective. We have used derivatives primarily for interest rate risk inherent in the variable rate of our revolving credit facility.

We also hold an investment in stock warrants which is accounted for as a derivative instrument and is included in the Other Assets line of the Consolidated Balance Sheets. See Note 15 - Derivative Instruments of Notes to Consolidated Financial Statements for more information on derivative instruments and hedging activities.

Stock-Based Compensation: As described in Note 13 - Stock Compensation Plans of Notes to Consolidated Financial Statements, we maintain a stock-based compensation plan which allows for the issuance of stock unit awards, restricted stock awards, stock options, stock appreciation rights, and other stock-based awards, each of which may include performance-based conditions, to certain employees, non-employee directors, consultants, and advisors. We recognize the cost resulting from share-based payment transactions using a fair-value-based method. The estimated fair value of restricted stock units is based on the stock price at the date of the grant. The estimated fair value of outstanding relative total shareholder return performance units ("RTSR") is based on the grant date fair value of RTSR awards using a Monte Carlo simulation which includes estimating the movement of stock prices and the effects of volatility, interest rates, and dividends. Stock-based compensation expense is recognized for the portion of the awards that are ultimately expected to vest. Forfeitures are recognized as they occur.

Recently Issued Accounting Pronouncements Not Yet Adopted:

In October 2021, the Financial Accounting Standards Board (FASB) issued guidance on accounting for contract assets and contract liabilities, related to revenue contracts with customers, during a business combination by the acquiring business entity. The acquirer is to measure the contract asset and contract liability as of the acquisition date as if the acquirer had originated the contracts. This is a departure from the current practice under U.S. GAAP of recognizing contract assets and contract liabilities at fair value as of the acquisition date. The guidance will be effective in our first quarter of fiscal year 2024, though early adoption is permitted. Management is unable to predict whether the adoption of this guidance will have a material impact on our financial statements.

We evaluate all accounting pronouncements issued by the FASB for consideration of their applicability to our consolidated financial statements. We have assessed all recently issued accounting pronouncements that have not yet been adopted and concluded that those not disclosed are either not applicable to us or are not expected to have a material effect on our consolidated financial statements.

Note 2 Acquisition

On December 9, 2020, we acquired Poppin, Inc. ("Poppin"), a tech-enabled, market-leading B2B commercial furniture design company headquartered in New York City, New York. Poppin designs commercial-grade furniture that is made to mix, match, and scale in today's modern office and work-from-home environments. The acquisition purchase price totaled $110.4 million in initial cash consideration plus $31.8 million in contingent earn-out consideration.

The contingent earn-out is payable on annual revenue and profitability milestones achieved through June 30, 2024. As of June 30, 2022 and June 30, 2021, the fair value of the contingent earn-out liability was $3.2 million and $20.2 million, respectively.

A summary of the final purchase price allocation is as follows:

Purchase Price Allocation

(Amounts in Thousands)

Cash	$	5,768
Receivables		2,814
Inventories		15,718
Other current assets		700
Net property and equipment		975
Other intangible assets		52,394
Goodwill		70,801
Right-of-use operating lease assets		5,103
Other long-term assets		4,161
Deferred tax assets		5,836
Total Assets	$	164,270
Current maturities of long-term debt		1,252
Accounts payable		7,715
Customer deposits		2,045
Current portion of operating lease liability		1,937
Accrued expenses		5,260
Long-term debt, less current maturities		1,252
Long-term operating lease liability		2,565
Other long-term liabilities		80
Total Liabilities	$	22,106
Net Assets	$	142,164

Consideration

(Amounts in Thousands)

Cash	$	110,374
Contingent earn-out — fair value at acquisition date		31,790
Fair value of total consideration	$	142,164
Less: Acquired cash		5,768
Total consideration less acquired cash	$	136,396

The operating results of this acquisition are included in our consolidated financial statements beginning on December 9, 2020. For the fiscal year ended June 30, 2022, net sales and net loss related to Poppin were $66.9 million and $13.0 million, respectively. For the fiscal year ended June 30, 2021, net sales and net loss related to Poppin were $24.1 million and $9.1 million, respectively. The aforementioned net losses include amortization on acquired intangibles and exclude earn-out adjustments related to operating performance and goodwill impairment after the acquisition date. There were no direct acquisition costs during the fiscal year ended June 30, 2022. Direct costs of the acquisition during the fiscal year ended June 30, 2021 were $3.6 million which were expensed as incurred and included on the Selling and Administrative Expenses line of our Consolidated Statements of Operations. The goodwill is not deductible for tax purposes. Goodwill is primarily attributable to the anticipated supply chain and revenue synergies including cross selling initiatives expected from the operations of the combined company. See Note 1 - Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements for more information on goodwill and other intangible assets, including the goodwill impairment charge recognized during fiscal year 2022. The purchase price allocation was final as of September 30, 2021. We utilized management estimates and consultation with an independent third-party valuation firm to assist in the valuation process.

The following summarizes goodwill activity related to the acquisition:

Goodwill

(Amounts in Thousands)	
Goodwill - June 30, 2020	$ —
Goodwill - at acquisition date	71,798
Adjustments to purchase price allocation	(997)
Goodwill - June 30, 2021	$ 70,801
Impairment	(34,118)
Goodwill - June 30, 2022	$ 36,683

Pro Forma Information

The following unaudited pro forma financial information summarizes the combined results of operations for Kimball International, Inc. and Poppin, Inc. as if the companies were combined as of the beginning of fiscal year 2020:

	(unaudited)	
	Year Ended June 30	
(Amounts in Thousands, Except Per Share Data)	**2021**	**2020**
Net Sales	$ 589,157	$ 801,492
Net Income	$ 4,210	$ 28,165
Diluted Earnings Per Share of Common Stock	$ 0.12	$ 0.76

This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments. This pro forma information is not necessarily indicative of what our results would have been had we operated the businesses since the beginning of the periods presented. The pro forma adjustments reflect the income statement effects of amortization of intangibles related to the fair value adjustments of the assets acquired, acquisition-related costs, incremental interest expense, and the related tax effects.

Note 3 Restructuring

During fiscal years 2022, 2021, and 2020, we recognized $10.5 million, $10.7 million and $8.5 million, respectively of pre-tax restructuring expense.

We utilized available market prices and management estimates to determine the fair value of impaired assets. Restructuring is included in the Restructuring Expense line item on our Consolidated Statements of Operations.

Transformation Restructuring Plan Phase 1:

In June 2019, we announced a transformation restructuring plan to optimize resources for future growth, improve efficiency, and build capabilities across our organization. Restructuring activities included a reduction of our manufacturing facility footprint, closure of select showrooms and reorganization of selling resources, and centralization of administrative functions, We believe phase 1 of our transformation restructuring plan has established a more cost-efficient structure to better align our operations with our long-term strategic goals. Phase 1 of our transformation restructuring plan was substantially complete as of June 30, 2021.

A summary of the charges recorded in connection with phase 1 of the transformation restructuring plan is as follows:

(Amounts in Thousands)	Year Ended June 30 2021	Year Ended June 30 2020	Total Charges Incurred
Cash-related restructuring charges:			
Severance and other employee related costs	$ 62	$ 2,159	$ 2,884
Facility exit costs and other cash charges	998	1,837	3,038
Total cash-related restructuring charges	$ 1,060	$ 3,996	$ 5,922
Non-cash charges:			
Transition stock compensation	—	654	725
Impairment of assets	770	3,690	4,460
Other non-cash charges	72	149	221
Total non-cash charges	$ 842	$ 4,493	$ 5,406
Total charges	$ 1,902	$ 8,489	$ 11,328

A summary of the current period activity in accrued restructuring related to phase 1 of the transformation restructuring plan is as follows:

(Amounts in Thousands)	Severance and other employee related costs	Other costs	Total
Balance at June 30, 2020	$ 167	$ 65	$ 232
Additions charged to expense	62	—	62
Cash payments charged against reserve	(229)	(60)	(289)
Non-cash adjustments	—	(5)	(5)
Balance at June 30, 2021	$ —	$ —	$ —

Transformation Restructuring Plan Phase 2:

In August 2020, we announced a second phase of our transformation restructuring plan which includes alignment of our business units to a new market-centric orientation to yield additional cost savings aiding in effectively managing through the downturn caused by the COVID-19 pandemic. Phase 2 of the transformation restructuring plan builds on the initial strategy and the transformation restructuring plan announced in June 2019. The following is a summary of the Phase 2 activities:

- To consolidate manufacturing of all brands into one world-class global operations group, we are streamlining our manufacturing facilities by leveraging production capabilities across all facilities, establishing centers of excellence, and setting up processes to facilitate flexing of product between facilities in response to volume fluctuations. We are also reviewing our overall facility footprint to identify opportunities to reduce capacity and gain efficiencies, and consolidated our Baltimore, Maryland facility into other manufacturing facilities.

- We streamlined our workforce to align with the new organizational structure and the temporary lower volumes created by the COVID-19 pandemic, creating a more efficient organization to deliver on our Connect 2.0 strategy.

- In the third quarter of fiscal 2021, we offered two voluntary retirement incentive programs to eligible employees. Employees electing to participate were paid special termination benefits, including a severance benefit and cash payment that could be used to pay for a period of healthcare coverage or for any other purpose.

- Starting in fiscal year 2022, many of our showrooms now feature multiple brands thus eliminating the need for more than one showroom in the same city. Showroom locations are being reviewed and select leased showroom locations closed.

- During the fourth quarter of fiscal year 2022, we announced a plan to close our Tijuana, Mexico Hospitality manufacturing facility and Chula Vista, California warehouse during our first quarter of fiscal year 2023 as we plan to primarily outsource the D'Style product. During fiscal year 2022 we recognized impairment in the D'Style brand asset group, including a $3.8 million impairment of a D'Style customer relationship intangible because the carrying value exceeded projected cash flows.

Phase 2 of the transformation restructuring plan began in the first quarter of our fiscal year 2021, and we expect a substantial majority of the Phase 2 restructuring actions to be completed by the end of fiscal year 2023.

In addition to the savings already generated from phase 1 of the transformation restructuring plan, the efforts of the phase 2 transformation restructuring plan are expected to generate annualized pre-tax savings of approximately $19.0 million when it is fully implemented. We currently estimate the phase 2 transformation restructuring plan will incur total pre-tax restructuring charges of approximately $21.0 million to $22.0 million, with the majority recorded in fiscal 2021 and 2022 and approximately $2.7 million expected to be recorded in fiscal year 2023. The restructuring charges are expected to consist of approximately $6.7 million to $6.9 million for severance and other employee-related costs, $5.3 million to $5.6 million for facility costs, and $9.0 million to $9.5 million for lease and other asset impairment. Approximately 55% of the total cost estimate is expected to be cash expense.

A summary of the charges recorded in connection with phase 2 of the transformation restructuring plan is as follows:

	Year Ended June 30		Charges
(Amounts in Thousands)	**2022**	**2021**	**Incurred to Date**
Cash-related restructuring charges:			
Severance and other employee related costs	$ 1,753	$ 5,082	$ 6,835
Facility exit costs and other cash charges	2,361	1,587	3,948
Total cash-related restructuring charges	$ 4,114	$ 6,669	$ 10,783
Non-cash charges:			
Impairment of assets and accelerated depreciation	6,375	2,156	8,531
Total charges	$ 10,489	$ 8,825	$ 19,314

A summary of the current period activity in accrued restructuring related to phase 2 of the transformation restructuring plan is as follows:

(Amounts in Thousands)	**Severance and other employee related costs**
Balance at June 30, 2020	$ —
Additions charged to expense	5,716
Cash payments charged against reserve	(3,696)
Non-cash adjustments	(634)
Balance at June 30, 2021	$ 1,386
Additions charged to expense	1,740
Cash payments charged against reserve	(2,128)
Non-cash adjustments	(24)
Balance at June 30, 2022	$ 974

Note 4 Revenue

Performance Obligations

Revenue is measured as the amount of consideration we expect to receive in exchange for transferring distinct goods or providing services to customers. Our revenue consists substantially of product sales, and is reported net of sales discounts, rebates, incentives, returns, and other allowances offered to customers. We recognize revenue when performance obligations under the terms of contracts with our customers are satisfied, which occurs when control passes to a customer to enable them to direct the use of and obtain benefit from a product. This typically occurs when a customer obtains legal title, obtains the risks and rewards of ownership, has received the goods according to the contractual shipping terms either at the shipping point or destination, and is obligated to pay for the product. Customary terms require payment within 30 days, and for certain customers, deposits may be required in advance of shipment.

We sell products both to independent dealers and directly to end customers. Sales to independent dealers typically include products only, as the independent dealer provides additional value-added services to end customers. Direct sales to end customers include products and may include related services such as installation and design services. These services are distinct from the delivered products within the context of the contract, and therefore revenue is recognized for products, installation, and design on a discrete basis. The performance of services may be outsourced to independent dealers or other third parties, but we typically retain the primary responsibility for performance of the services when selling directly to end customers. For services, revenue is recognized when the service is performed and we have an enforceable right to payment. Service revenue does not represent a significant portion of our total sales.

We provide an assurance-type warranty that guarantees our product complies with agreed-upon specifications. This warranty is not sold separately and does not convey any additional services to the customer; therefore, our warranty is not considered a separate performance obligation. We estimate the costs that may be incurred under warranties and record a liability at the time product revenue is recognized. See Note 10 - Commitments and Contingent Liabilities of Notes to Consolidated Financial Statements for additional information on warranty obligations.

Disaggregation of Revenue

The following table provides information about revenue by operating segment:

	Year Ended June 30		
(Amounts in Millions)	**2022**	**2021**	**2020**
Workplace	$ 396.8	$ 330.0	$ 435.4
Health	104.8	97.3	108.9
Hospitality	97.0	117.4	183.6
eBusiness	67.3	24.3	—
Total Net Sales	$ 665.9	$ 569.0	$ 727.9

Contract Balances

Receivables in the Consolidated Balance Sheets represent the amount of consideration to which we are entitled in exchange for the goods or services sold to our customers, net of allowances for doubtful accounts. Receivables are recorded when the right to consideration from the customer becomes unconditional, which is generally upon billing or upon satisfaction of a performance obligation, whichever is earlier. For the years ended June 30, 2022, June 30, 2021, and June 30, 2020, impairment losses on doubtful accounts receivable were $0.0 million, $0.5 million, and $1.4 million, respectively.

We also receive deposits from certain customers before revenue is recognized, resulting in the recognition of a contract liability reported as Customer Deposits in the Consolidated Balance Sheets. Changes in the customer deposits during fiscal years 2022 and 2021 were as follows:

(Amounts in Millions)	**2022**	**2021**
Balance at the beginning of the year	$ 24.4	$ 19.6
Customer deposits acquired in Poppin acquisition	—	2.0
Increases due to deposits received, net of other adjustments	94.0	82.3
Revenue recognized	(88.7)	(79.5)
Balance at the end of the year	$ 29.7	$ 24.4

Customer deposits are typically utilized within a year of the receipt of the deposit. The amount of revenue recognized during the year ended June 30, 2022 that was included in the June 30, 2021 customer deposit balance was $23.6 million. The amount of revenue recognized during the year ended June 30, 2021 that was included in the June 30, 2020 customer deposit balance was $18.9 million.

Significant Judgments

We use significant judgment in estimating the reduction in net sales driven by customer rebate and incentive programs. Judgments primarily include an estimate of the most likely sales levels to be achieved and the corresponding rebate and incentive amounts expected to be earned by dealers and salespersons. In the years ended June 30, 2022, 2021, and 2020, we had an immaterial amount of adjustments to estimates for cumulative growth rebates and incentives that related to the preceding fiscal years. We also use judgment in estimating a reserve for returns and allowances recorded at the time of the sale, resulting in a reduction of revenue, based on estimated product returns and price concessions.

Accounting Policies and Practical Expedients Elected

For shipping and handling activities, we are applying an accounting policy election which allows an entity to account for shipping and handling activities as fulfillment activities rather than a promised good or service when the activities are performed, even if those activities are performed after the control of the good has been transferred to the customer. Therefore, we expense shipping and handling costs at the time revenue is recognized. We classify shipping and handling expenses in Cost of Sales in the Consolidated Statements of Operations.

We are also applying an accounting policy election which allows an entity to exclude from revenue any amounts collected from customers on behalf of third parties, such as sales taxes and other similar taxes we collect concurrent with revenue-producing activities. Therefore, we present revenue net of sales taxes and similar revenue-based taxes.

Note 5 Leases

Our operating lease portfolio is primarily comprised of showrooms, which expire at various dates through 2030. We have no financing leases. Certain operating lease agreements include rental payments adjusted periodically for inflationary indexes. Additionally, some leases include options to renew or terminate the leases which can be exercised at our discretion. Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods. Certain leases have terms that are dependent upon the occurrence of events, activities, or circumstances in lease agreements and incur variable lease expense driven by warehouse square footage utilized, property taxes assessed, and other non-lease component charges. Variable lease expense is presented as operating expense in our Consolidated Statements of Operations in the same line item as expense arising from fixed lease payments for operating leases. For all classes of assets, we do not separate non-lease components of a contract from the lease components to which they relate. We do not recognize a right-of-use asset or lease liability for short-term leases that have a lease term of twelve months or less. Our leases do not contain residual value guarantees or material restrictive covenants. As the rate implicit in our lease contracts cannot be readily determined, we use an estimated incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. The estimated incremental borrowing rate represents the estimated rate of interest we would have to pay to borrow an amount equal to the lease payments for a similar period of time on a collateralized basis.

Lease liabilities are recognized at the lease commencement date based upon the present value of the remaining lease payments. Right-of-use assets are based on the lease liability adjusted for prepaid rent, deferred rent, and tenant allowances received. Lease liabilities are amortized based upon the effective interest method, while right-of-use assets are amortized based upon the straight-line expense less interest on the lease liability. Lease expense for lease payments is recognized on a straight-line basis over the lease term, except for impaired leases for which the lease expense is recognized on a declining basis over the remaining lease term.

The components of our lease expenses are as follows:

	Year Ended June 30		
(Amounts in Millions)	**2022**	**2021**	**2020**
Operating lease expense	$ 5.0	$ 4.5	$ 3.4
Variable lease expense	4.4	3.5	2.5
Total lease expense	$ 9.4	$ 8.0	$ 5.9

Right-of-use assets for operating leases are tested for impairment in the same manner as long-lived assets used in operations as explained in Note 14 - Fair Value of Notes to Consolidated Financial Statements. During fiscal years 2022, 2021, and 2020 we recorded $1.4 million, $0.8 million, and $3.7 million, respectively, of right-of-use asset and associated leasehold improvement impairments. The fiscal year 2022 impairment was driven by the closure of our Baltimore manufacturing facility, the planned exit of our Tijuana, Mexico manufacturing facility and Chula Vista, California warehouse, and the exit of showrooms in support of our transition to multi-brand showrooms thus eliminating the need for more than one showroom in the same city. The fiscal year 2021 and 2020 impairments were primarily related to ceasing use of several showrooms and showroom sublease assumption modifications due to the degradation of the leasing environment driven by the COVID-19 pandemic. The impairment expenses are included in the Restructuring Expense line item on our Consolidated Statements of Operations.

Supplemental cash flow and other information related to leases are as follows:

(Amounts in Millions)	Year Ended June 30 2022		2021		2020	
Cash flow information:						
Operating lease payments impacting lease liability	$	7.3	$	5.9	$	4.8
Non-cash impact of obtaining new right-of-use assets	$	6.3	$	0.1	$	2.6

	As of June 30 2022	2021
Other information:		
Weighted-average remaining term (in years)	4.6	4.3
Weighted-average discount rate	4.4 %	4.6 %

The following table summarizes the future minimum lease payments as of June 30, 2022:

(Amounts in Millions)	Year Ended June 30 (1)	
2023	$	6.1
2024		4.3
2025		3.5
2026		2.4
2027		1.7
Thereafter		2.1
Total lease payments	$	20.1
Less interest		1.9
Present value of lease liabilities	$	18.2

(1) Lease payments include options to extend lease terms that are reasonably certain of being exercised. The payments exclude legally binding minimum lease payments for leases signed but not yet commenced. At June 30, 2022, we have additional operating leases that have not yet commenced for which we will record both right-of-use assets and lease liabilities of $5.4 million. Two of the leases are expected to commence in our first quarter of fiscal year 2023 with lease terms of approximately 1 year at $0.2 million and 5 years at $1.3 million. A third lease is expected to commence in our fourth quarter of fiscal year 2023 with a lease term of approximately 12 years at $3.9 million.

In fiscal year 2021, we executed a contract to sell a warehouse which was accounted for as a failed sale leaseback as control did not pass to the buyer. During fiscal year 2022, we received payment and control passed to the buyer, and we recorded a pre-tax gain on sale of the warehouse of $4.5 million.

Note 6 Earnings Per Share

Basic earnings per share are based on the weighted average number of shares outstanding during the period. Diluted earnings per share are based on the weighted average number of shares outstanding plus the assumed issuance of common shares for all potentially dilutive securities.

(Amounts in Thousands, Except for Per Share Data)	Year Ended June 30 2022	2021	2020
Net Income (Loss)	$ (15,714)	$ 7,416	$ 41,054
Average Shares Outstanding for Basic EPS Calculation	36,798	36,901	36,883
Dilutive Effect of Average Outstanding Compensation Awards	—	471	154
Average Shares Outstanding for Diluted EPS Calculation	36,798	37,372	37,037
Basic Earnings (Loss) Per Share	$ (0.43)	$ 0.20	$ 1.11
Diluted Earnings (Loss) Per Share	$ (0.43)	$ 0.20	$ 1.11

All stock compensation awards were antidilutive as a result of the net loss for fiscal year 2022, thus 723,000 average restricted stock units and average relative total shareholder return awards were excluded from the dilutive calculation.

Note 7 Income Taxes

Kimball International, or one of its wholly-owned subsidiaries, files U.S. federal income tax returns and income tax returns in various state and local jurisdictions. Our provision (benefit) for income taxes is composed of the following items:

(Amounts in Thousands)	Year Ended June 30 2022	2021	2020
Currently Payable (Refundable):			
Federal	$ (2,783)	$ (269)	$ 9,890
State	(200)	510	4,019
Total current	$ (2,983)	$ 241	$ 13,909
Deferred Taxes:			
Federal	$ 1,949	$ (1,293)	$ 1,979
State	(672)	(1,754)	(812)
Total deferred	$ 1,277	$ (3,047)	$ 1,167
Total provision (benefit) for income taxes	$ (1,706)	$ (2,806)	$ 15,076

A reconciliation of the statutory U.S. income tax rate to Kimball International's effective income tax rate follows:

	Year Ended June 30					
	2022		2021		2020	
(Amounts in Thousands)	Amount	%	Amount	%	Amount	%
Tax provision (benefit) computed at U.S. federal statutory rate	$ (3,658)	21.0%	$ 968	21.0%	$ 11,787	21.0%
State income taxes, net of federal income tax benefit	(1,714)	9.8	(433)	(9.4)	2,533	4.5
Goodwill impairment	8,808	(50.5)	—	—	—	—
Change in fair value of contingent earn-out liability	(4,396)	25.3	(2,840)	(61.6)	—	—
Research credit	(600)	3.4	(600)	(13.0)	(430)	(0.8)
Other - net	(146)	0.8	99	2.1	1,186	2.2
Total provision (benefit) for income taxes	$ (1,706)	9.8%	$ (2,806)	(60.9%)	$ 15,076	26.9%

Net cash payments (refunds) for income taxes were, in thousands, $(3,520), $7,187, and $11,114 in fiscal years 2022, 2021, and 2020, respectively.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets associated with net operating losses of, in thousands, $3,628 can be carried forward indefinitely and, in thousands, $16,526 expire from fiscal year 2023 to 2042. Deferred tax assets associated with tax credit carryforwards of, in thousands, $5,139, expire from fiscal year 2025 to 2042. Valuation allowances were provided as of June 30, 2022 for deferred tax assets relating to state net operating losses of, in thousands, $3,453, and foreign tax credits of, in thousands, $802, that we currently believe are more likely than not to remain unrealized in the future. In all periods presented, the change in the valuation allowance is reported as a component of income tax expense.

During fiscal year 2021, we acquired U.S. federal net operating losses ("NOLs") with a tax benefit of approximately $16.2 million in connection with the Poppin, Inc. acquisition, of which $14.6 million remains available to offset future taxable income during the carryforward periods based on limitations under Section 382 of the Internal Revenue Code of 1986, as amended. We also acquired state NOLs with a tax benefit of approximately $4.7 million in connection with the Poppin, Inc. acquisition, of which an estimated $3.2 million remains available to offset future taxable income during the carryforward periods. We provided a full valuation allowance against the available state NOLs, as we do not have sufficient positive evidence at this time to conclude that Poppin, Inc. will be able to utilize the NOL carryforwards in the states where the losses were generated, considering state limitations on the utilization of NOLs.

The components of the deferred tax assets and liabilities as of June 30, 2022 and 2021, were as follows:

(Amounts in Thousands)	**2022**	**2021**
Deferred Tax Assets:		
Receivables	$ 618	$ 665
Inventory	2,475	3,242
Employee benefits	158	246
Deferred compensation	6,603	5,402
Other current liabilities	266	459
Warranty reserve	651	736
Tax credit carryforwards	5,139	4,974
Restructuring	472	670
Net operating loss carryforward	20,154	21,935
Miscellaneous	4,741	4,014
Valuation allowance	(4,255)	(3,295)
Total asset	$ 37,022	$ 39,048
Deferred Tax Liabilities:		
Property and equipment	$ 8,604	$ 7,833
Intangible assets	10,765	12,423
Goodwill	689	493
Miscellaneous	2,492	1,931
Total liability	$ 22,550	$ 22,680
Net Deferred Tax Assets	$ 14,472	$ 16,368

Changes in the unrecognized tax benefit, excluding accrued interest and penalties, during fiscal years 2022, 2021, and 2020 were as follows:

(Amounts in Thousands)	**2022**	**2021**	**2020**
Beginning balance - July 1	$ 812	$ 798	$ 753
Increases related to prior fiscal years	9	24	74
Decreases related to lapses in statute of limitations	(285)	(10)	(29)
Ending balance - June 30	$ 536	$ 812	$ 798
Portion that, if recognized, would reduce tax expense and effective tax rate	$ 423	$ 686	$ 676

Amounts accrued for interest and penalties were as follows:

(Amounts in Thousands)	As of June 30 2022	2021	2020
Accrued Interest and Penalties:			
Interest	$ 121	$ 175	$ 156
Penalties	$ 134	$ 143	$ 137

Interest and penalties expense (income) recognized for fiscal years 2022, 2021, and 2020 were, in thousands, $(63), $25, and $102, respectively.

We are no longer subject to any significant U.S. federal tax examinations by tax authorities for years before fiscal year 2019, and to various state and local income tax examinations by tax authorities for years before 2018. We do not expect the change in the amount of unrecognized tax benefits in the next 12 months to have a significant impact on our results of operations or financial position.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs. No provision was made for income taxes that may result from future remittances of the undistributed earnings of foreign subsidiaries that are determined to be indefinitely reinvested, which was $1.3 million on June 30, 2022. Future remittances of these undistributed earnings of foreign subsidiaries are not subject to U.S. income tax or foreign withholding taxes in the foreign country where the foreign subsidiaries operate.

Note 8 Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are valued using the last-in, first-out (“LIFO”) method for approximately 51% and 67% of consolidated inventories at June 30, 2022 and June 30, 2021, respectively. The percentage of inventory subject to LIFO at the end of fiscal year 2022 decreased as a result of higher Poppin inventory, which is accounted for using the average cost method. The remaining inventories are valued using the first-in, first-out (“FIFO”) method and average cost method.

Had non-LIFO methods been used for all inventories, pre-tax income would have been $5.5 million higher in fiscal year 2022, $2.1 million higher in fiscal year 2021, and $0.1 million lower in fiscal year 2020. Certain inventory quantity reductions caused liquidations of LIFO inventory values, which increased pre-tax income by $3.5 million in 2022, $1.3 million in 2021 and an immaterial amount in 2020.

Inventory components at June 30 were as follows:

(Amounts in Thousands)	2022	2021
Finished products	$ 66,890	$ 37,787
Work-in-process	1,974	1,320
Raw materials	52,878	33,428
Total FIFO inventory	$ 121,742	$ 72,535
LIFO reserve	(23,773)	(18,244)
Total inventory	$ 97,969	$ 54,291

Note 9 Property and Equipment

Major classes of property and equipment at June 30 consist of the following:

(Amounts in Thousands)	2022	2021
Land	$ 2,352	$ 2,483
Buildings and improvements	116,439	120,135
Machinery and equipment	149,449	153,388
Construction-in-progress	17,260	6,374
Total	$ 285,500	$ 282,380
Less: Accumulated depreciation	(188,530)	(191,757)
Property and equipment, net	$ 96,970	$ 90,623

The useful lives used in computing depreciation are based on estimated service lives for classes of property, as follows:

	Years
Buildings and improvements	5 to 40
Machinery and equipment	2 to 20
Leasehold improvements	Lesser of Useful Life or Term of Lease

Depreciation of property and equipment, including asset write-downs, totaled, in millions, $14.5 for both fiscal years 2022 and 2021, and $15.1 for fiscal year 2020.

Note 10 Commitments and Contingent Liabilities

Guarantees:

Standby letters of credit were issued to lessors and insurance institutions and can only be drawn upon in the event of our failure to pay our obligations to a beneficiary. We had a maximum financial exposure from unused standby letters of credit totaling $1.7 million as of both June 30, 2022 and June 30, 2021.

We are periodically required to provide performance bonds in order to conduct business with certain customers. The bonds are required to provide assurances to customers that the products and services they have purchased will be installed and/or provided properly and without damage to their facilities. We are ultimately liable for claims that may occur against the performance bonds. We had a maximum financial exposure from performance bonds totaling $0.9 million and $0.1 million as of June 30, 2022 and June 30, 2021, respectively.

We are not aware of circumstances that would require us to perform under these arrangements and believe that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect our consolidated financial statements. Accordingly, no liability has been recorded as of June 30, 2022 and 2021 with respect to the standby letters of credit or performance bonds. We also enter into commercial letters of credit to facilitate payments to vendors and from customers.

Product Warranties:

We provide an assurance-type warranty that guarantees our product complies with agreed-upon specifications. This warranty is not sold separately and does not convey any additional services to the customer. We estimate product warranty liability at the time of sale based on historical repair or replacement cost trends in conjunction with the length of the warranty offered. Management refines the warranty liability periodically based on changes in historical cost trends and in certain cases where specific warranty issues become known. The product warranty liability is included on the Accrued Expenses and Other lines of our Consolidated Balance Sheets.

Changes in the product warranty accrual during fiscal years 2022, 2021, and 2020 were as follows:

(Amounts in Thousands)	2022	2021	2020
Product Warranty Liability at the beginning of the year	$ 2,861	$ 3,190	$ 2,238
Additions to warranty accrual (including changes in estimates)	1,797	1,905	3,995
Settlements made (in cash or in kind)	(2,128)	(2,234)	(3,043)
Product Warranty Liability at the end of the year	$ 2,530	$ 2,861	$ 3,190

Note 11 Long-Term Debt and Revolving Credit Facility

Short-term borrowings and long-term debt consisted of the following obligations:

	As of June 30	
(Amounts in Thousands)	2022	2021
Long-term debt under revolving credit facility due October 2024; 3.34% variable interest rate at June 30, 2022	$ 68,000	$ 40,000
Other debt maturing August 12, 2024; 9.25% fixed interest rate	79	109
Total Debt	$ 68,079	$ 40,109

Aggregate maturities of long-term debt for the next three years through maturity are, in thousands, $33, $36, and $68,010, respectively.

As of June 30, 2022 we had a $125.0 million revolving credit facility with a maturity date of October 2024 that allowed for both issuances of letters of credit and cash borrowings. We also have an option to request an increase of the amount available for borrowing to $200.0 million, subject to participating banks' consent. The revolving loans under the Credit Agreement could consist of, at our election, advances in U.S. dollars or advances in any other currency that was agreed to by the lenders. The proceeds of the loans are to be used for general corporate purposes including acquisitions. A portion of the revolving credit facility, not to exceed $10 million of the principal amount, was available for the issuance of letters of credit. At June 30, 2022, we had $1.7 million in letters of credit outstanding, which reduced our borrowing capacity on the revolving credit facility. Total availability to borrow under the revolving credit facility totaled $55.3 million at June 30, 2022. The commitment fee on the unused portion of principal amount of the revolving credit facility is payable at a rate that ranges from 20 to 30 basis points per annum as determined by our ratio of consolidated total indebtedness to adjusted consolidated EBITDA. The weighted average interest rate on borrowings outstanding at June 30, 2022 and June 30, 2021 was 3.35% and 1.40%, respectively. Interest expense incurred and paid on borrowings were, in thousands, $1,378, $382, and $15, in fiscal years 2022, 2021, and 2020, respectively.

The interest rate is dependent on the type of borrowings and will be one of the following two options:

- the adjusted London Interbank Offered Rate ("Adjusted LIBO Rate" as defined in the Credit Agreement) in effect two business days prior to the advance (adjusted upwards to reflect bank reserve costs) for such interest period, plus the Eurocurrency Loans margin which can range from 125.0 to 200.0 basis points based on the Company's ratio of consolidated total indebtedness to adjusted consolidated EBITDA; or
- the Alternate Base Rate (the "ABR") which is defined as the highest of the fluctuating rate per annum equal to the higher of
    a. prime rate as last quoted by The Wall Street Journal; or
    b. 1% per annum above the Adjusted LIBO rate; or
    c. 0.5% per annum above the Federal Reserve Bank of New York;

  plus the ABR Loans spread which can range from 25.0 to 100.0 basis points based on the Company's ratio of consolidated total indebtedness to adjusted consolidated EBITDA.

We were in compliance with all debt covenants of the revolving credit facility during the twelve-month period ended June 30, 2022. The most significant financial covenants under the Credit Agreement require:

- an adjusted leverage ratio of (a) consolidated total indebtedness minus unencumbered U.S. cash equivalents in excess of $15,000,000 provided that the maximum subtraction shall not exceed $35,000,000 to (b) adjusted consolidated EBITDA, determined as of the end of each of its fiscal quarters for the then most recently ended four fiscal quarters, to not be greater than 3.00 to 1.00, and
- an interest coverage ratio, for any period, of (a) Consolidated EBITDA for such period to (b) cash interest expense for such period, calculated on a consolidated basis in accordance with GAAP for the trailing four quarter period then ending, to not be less than 3.00 to 1.00.

We have an interest rate swap agreement with a bank with a notional value of $40.0 million. The interest rate swap became effective in July 2021 and is accounted for using hedge accounting.

Note 12 Employee Benefit Plans

Retirement Plans:

We have a tax-qualified defined contribution retirement plan in effect for substantially all domestic employees meeting the eligibility requirements. Employer contributions to the plan have a five-year vesting schedule and are held for the sole benefit of participants. We also maintain a supplemental employee retirement plan ("SERP") for executive employees which enables them to defer cash compensation on a pre-tax basis in excess of IRS limitations. The SERP is structured as a rabbi trust, and therefore assets in the SERP portfolio are subject to creditor claims in the event of bankruptcy.

The discretionary employer contribution for domestic employees is determined annually by the Compensation and Governance Committee of the Board of Directors. Total expense related to employer contributions to the domestic retirement plans was, in millions, $3.6, $0.0 and $4.9 for fiscal years 2022, 2021 and 2020, respectively.

Employees of certain foreign subsidiaries are covered by local pension or retirement plans, and employees of recently acquired companies receive an employer matching contribution. The expense related to employer contributions to these plans for fiscal years 2022, 2021, and 2020 was not material.

Severance Plans:

Our domestic employees participate in severance plans which provide severance benefits to eligible employees meeting the plans' qualifications, primarily for involuntary termination without cause.

There are no statutory requirements for us to contribute to the plans, nor do employees contribute to the plans. The plans hold no assets. Benefits are paid using available cash on hand when eligible employees meet plan qualifications for payment. Benefits are based upon an employee's years of service and accumulate up to certain limits specified in the plans and include both salary and an allowance for medical benefits. The components and changes in the Benefit Obligation, Accumulated Other Comprehensive Income (Loss), and Net Periodic Benefit Cost are as follows:

	June 30	
(Amounts in Thousands)	**2022**	**2021**
Changes and Components of Benefit Obligation:		
Benefit obligation at beginning of year	$ 2,971	$ 2,739
Service cost	512	496
Interest cost	69	46
Actuarial (gain) loss for the period	(941)	(258)
Benefits paid	(53)	(52)
Benefit obligation at end of year	$ 2,558	$ 2,971
Balance in current liabilities	$ 496	$ 540
Balance in non-current liabilities	2,062	2,431
Total benefit obligation recognized in the Consolidated Balance Sheets	$ 2,558	$ 2,971

(Amounts in Thousands)	June 30 2022	June 30 2021
Changes and Components in Accumulated Other Comprehensive Income (Loss) (before tax):		
Accumulated Other Comprehensive Income (Loss) at beginning of year	$ 2,663	$ 2,832
Net change in unrecognized actuarial gain (loss)	419	(169)
Accumulated Other Comprehensive Income (Loss) at end of year	$ 3,082	$ 2,663

(Amounts in Thousands)	Year Ended June 30		
Components of Net Periodic Benefit Cost (before tax):	**2022**	**2021**	**2020**
Service cost	$ 512	$ 496	$ 489
Interest cost	69	46	66
Amortization of actuarial (gain) loss	(522)	(427)	(338)
Net periodic benefit cost — Total cost	$ 59	$ 115	$ 217

The benefit cost in the above table includes only normal recurring levels of severance activity, as estimated using an actuarial method. Unusual or non-recurring severance actions, such as the restructuring employee transition pay described in Note 3 - Restructuring of Notes to Consolidated Financial Statements, are not estimable using actuarial methods and are therefore excluded from the preceding tables.

The Plan recognized actuarial gains during fiscal years 2022, 2021 and 2020 as a result of lower benefit payments than were assumed in the benefit obligation. The actuarial gains are amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plans.

Assumptions used to determine fiscal year end benefit obligations are as follows:

	2022	2021
Discount Rate	4.3%	2.1%
Rate of Compensation Increase	2.0%	2.0%

Weighted average assumptions used to determine fiscal year net periodic benefit costs are as follows:

	2022	2021	2020
Discount Rate	2.6%	1.7%	2.5%
Rate of Compensation Increase	2.0%	2.0%	2.8%

Note 13 Stock Compensation Plans

On October 31, 2017, the shareholders approved the 2017 Stock Incentive Plan ("the 2017 Plan") which allows for the issuance of stock awards, restricted stock awards, stock options, stock appreciation rights, and other stock-based awards, each of which may include performance-based conditions, to certain employees, non-employee directors, consultants, and advisors. The 2017 Plan was amended on October 26, 2021, to increase the number of shares available for issuance under the 2017 Plan by 2,000,000 shares. The amended 2017 Plan authorizes the issuance of 4.1 million shares of our Class B Common Stock including unused shares from the former plan.

Stock-based compensation expense was $5.1 million, $5.7 million, and $5.6 million in fiscal years 2022, 2021 and 2020, respectively. The total income tax benefit for stock compensation arrangements was $0.9 million, $1.1 million, and $1.2 million in fiscal years 2022, 2021 and 2020, respectively. Included in the provision for income taxes for fiscal years 2022 and 2021, was a $0.4 million increase in taxes for both fiscal years and a $0.2 million increase in taxes in fiscal year 2020 for excess tax benefits from the vesting of stock awards. We generally use treasury shares for issuance of shares.

Relative Total Shareholder Return Performance Units:

We award relative total shareholder return performance units ("RTSR") to key officers. Under these awards, a participant will earn from 0% to 200% of the target award depending upon how the compound annual growth rate of Kimball International common stock ranks within the peer group at the end of the performance period. RTSRs are vested at the end of the performance period and are issued as common shares shortly after the performance measurement period is complete. The contractual life of the RTSRs is generally three years. If a participant is not employed on the date shares are vested, the RTSR award is forfeited, except in the case of death, retirement, total permanent disability, or certain other circumstances described in our employment policy. To the extent performance conditions are not fully attained, RTSRs are forfeited.

A summary of RTSR activity during fiscal year 2022 is presented below:

	Number of Shares[1]	Weighted Average Grant Date Fair Value
RTSRs outstanding at July 1, 2021	242,952	$13.96
Granted	126,220	$15.54
Vested	(6,090)	$12.42
Forfeited	(90,364)	$18.12
RTSRs outstanding at June 30, 2022	272,718	$13.21

(1) The shares granted include the maximum number of shares that may vest under RTSR awards; however, the actual number of shares which vest is determined based on the satisfaction of performance conditions, and therefore may be significantly lower. The shares vested include the earned number of shares to be issued based on performance conditions, while shares forfeited include shares that will not be issued as a result of not fully attaining the maximum performance conditions.

As of June 30, 2022, there was approximately $0.9 million of unrecognized compensation cost related to RTSRs. That cost is expected to be recognized over the vesting periods ending June 2023 through June 2024, with a weighted average vesting period of approximately one year, five months. The grant date fair value of RTSR awards was calculated using a Monte Carlo simulation. This valuation technique includes estimating the movement of stock prices and the effects of volatility, interest rates, and dividends. The weighted average grant date fair value was $15.54, $11.43, and $20.78 for RTSR awards granted in fiscal years 2022, 2021, and 2020, respectively. During fiscal years 2022, 2021, and 2020, respectively, 6,090, 4,947, and 45,602 RTSRs vested at a fair value of $0.1 million, $0.1 million, and $0.5 million. The RTSR awards vested represent the total number of shares vested prior to the reduction of shares withheld to satisfy tax withholding obligations.

Restricted Stock Units:

Restricted Stock Units ("RSUs") were granted to officers and employees. Upon vesting, the outstanding number of RSUs and, if applicable, the value of dividends accumulated over the vesting period are converted to shares of common stock. The contractual life of the RSUs is generally three years, however certain awards have shorter or longer contractual lives in order to transition from other types of compensation or to be used as a long-term retention tool. If the employment of a holder of an RSU terminates before the RSU has vested for any reason other than death, retirement, total permanent disability, or certain other circumstances described in our employment policy, the RSU and accumulated dividends will be forfeited.

A summary of RSU activity during fiscal year 2022 is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
RSUs outstanding at July 1, 2021	643,336	$12.61
Granted	316,137	$11.85
Vested	(249,564)	$13.45
Forfeited	(105,678)	$12.53
RSUs outstanding at June 30, 2022	604,231	$11.88

As of June 30, 2022, there was approximately $3.8 million of unrecognized compensation cost related to non-vested RSU compensation arrangements. That cost is expected to be recognized over vesting periods ending December 2022 through June 2024, with a weighted average vesting period of one year, six months. The fair value of RSU awards is based on the stock price at the date of award. The weighted average grant date fair value was $11.85, $11.80, and $17.25 for RSU awards granted in fiscal years 2022, 2021, and 2020, respectively. During fiscal years 2022, 2021, and 2020, respectively, 249,564, 240,955, and 155,919 RSUs vested at a fair value of $3.4 million, $3.9 million, and $2.6 million. The fair value is equal to the closing price of shares of our Common Stock on the date of the grant. The RSU awards vested represent the total number of shares vested prior to the reduction of shares withheld to satisfy tax withholding obligations.

Unrestricted Share Grants:

Unrestricted shares may be granted to employees and non-employee members of the Board of Directors as consideration for service to Kimball International. Unrestricted share grants do not have vesting periods, holding periods, restrictions on sale, or other restrictions. The fair value of unrestricted shares is based on the stock price at the date of the award. During fiscal years 2022, 2021, and 2020, respectively, we granted a total of 45,105, 44,795, and 33,334 unrestricted shares of common stock at an average grant date fair value of $10.59, $11.75, and $15.93 for a total fair value, in thousands, of $478, $526, and $531. These shares are the total number of shares granted, prior to the reduction of shares withheld to satisfy tax withholding obligations. Unrestricted shares were awarded to key employees and non-employee members of the Board of Directors as compensation for director's fees and as a result of directors' elections to receive unrestricted shares in lieu of cash payment. Director's fees are expensed over the period that directors earn the compensation.

Note 14 Fair Value

We categorize assets and liabilities measured at fair value into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

Our policy is to recognize transfers between these levels as of the end of each quarterly reporting period. There were no transfers between these levels during fiscal years 2022 and 2021.

In connection with the fiscal year 2021 acquisition of Poppin, remaining contingent earn-out payments up to $45 million may be paid based on revenue and profitability milestones achieved through June 30, 2024, with the expected payments to be in the range of $0 to $5 million. As of June 30, 2022, the fair value of the contingent earn-out liability was $3.2 million. The liability is carried at fair value and is classified in Level 3 of the fair value hierarchy. During the fiscal years ended June 30, 2022 and 2021, the recurring revaluation to fair value resulted in pre-tax income of $17.0 million and $11.6 million, respectively, primarily due to the impact of COVID-19 and supply chain disruptions on our sales growth model.

The recurring Level 3 fair value measurements of the contingent earn-out liability include the following significant unobservable inputs:

Contingent Consideration Liability	Fair Value	Valuation Technique	Unobservable Inputs	Range	Selected
Revenue and EBITDA Based Payments	$ 3.2 million	Discounted Cash Flow	Revenue Discount Rate	4.5% to 6.5%	5.8 %
			EBITDA Volatility	25.0% to 42.5%	42.5 %
			Revenue Volatility	6.5% to 10.5%	10.5 %

Financial Instruments Recognized at Fair Value:

The following methods and assumptions were used to measure fair value:

Financial Instrument	Level	Valuation Technique/Inputs Used
Cash Equivalents: Money market funds	1	Market - Quoted market prices.
Trading securities: Mutual funds held in nonqualified SERP	1	Market - Quoted market prices.
Derivative Assets: Stock warrants	3	Market - The pricing of recent purchases or sales of the investment in the privately-held company are considered, if any, as well as positive and negative qualitative evidence, in the assessment of fair value. The value of the stock warrants fluctuates primarily in relation to the value of the privately-held company's underlying securities.
Derivative Assets: Interest Rate Swap	2	Market - Based on observable market inputs using standard calculations, such as time value, forward interest rate yield curves, and current spot rates adjusted for Kimball International's non-performance risk.
Contingent earn-out liability	3	Income - Based on a valuation model that measures the present value of the probable cash payments based upon the forecasted operating performance of the acquisition and a discount rate that captures the risk associated with the liability.

Recurring Fair Value Measurements:

As of June 30, 2022 and June 30, 2021, the fair values of financial assets and liabilities that are measured at fair value on a recurring basis using the market or income approach are categorized as follows:

(Amounts in Thousands)	**June 30, 2022**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents: Money market funds	$ 5,508	$ —	$ —	$ 5,508
Derivatives: Interest rate swap	—	1,986	—	1,986
Trading Securities: Mutual funds in nonqualified SERP	10,517	—	—	10,517
Derivatives: Stock warrants	—	—	1,500	1,500
Total assets at fair value	$ 16,025	$ 1,986	$ 1,500	$ 19,511
Liabilities				
Contingent earn-out liability	—	—	3,160	3,160
Total liabilities at fair value	$ —	$ —	$ 3,160	$ 3,160

(Amounts in Thousands)	**June 30, 2021**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents: Money market funds	$ 18,762	$ —	$ —	$ 18,762
Trading Securities: Mutual funds in nonqualified SERP	14,049	—	—	14,049
Derivatives: Stock warrants	—	—	1,500	1,500
Total assets at fair value	$ 32,811	$ —	$ 1,500	$ 34,311
Liabilities				
Contingent earn-out liability	—	—	20,190	20,190
Total liabilities at fair value	$ —	$ —	$ 20,190	$ 20,190

Non-Recurring Fair Value Measurements:

Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments when events or circumstances indicate a significant adverse effect on the fair value of the asset. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs.

Non-recurring Fair Value Adjustment	Level	Valuation Technique/Inputs Used
Impairment of Right of Use Lease Assets and Related Assets Groups	3	Income - Based on a valuation model that measures the present value of remaining lease payments less estimated sublease income at a discount rate that captures the risk associated with the future cash flows.
Impairment of Customer Relationship Intangible	3	Income - Based on a valuation model that determines fair value based on estimated discounted future cash flows, requiring the use of significant estimates and assumptions, including revenue growth rates and EBITA margins and future market conditions.
Impairment of Goodwill	3	Income - Based on a valuation model that determines fair value based on estimated discounted future cash flows of each reporting unit, requiring the use of significant estimates and assumptions, including revenue growth rates and EBITDA margins, future market conditions and discount rates that capture the risk associated with future cash flows.

During fiscal years 2022, 2021, and 2020, we recorded $1.4 million, $0.8 million, and $3.7 million, respectively, of right-of-use asset and associated leasehold improvement impairment. resulting from the planned exit of our D'Style operations, the closure of our leased Pennsylvania and Maryland facilities, and the closure of showrooms as part of our transformation restructuring plan. The impairment losses are included as a component of the Restructuring Expense line item on our Consolidated Statements of Operations. The asset groups used to calculate impairment included the right-of-use lease assets, leasehold improvements, and lease liabilities.

During fiscal year 2022 we recognized a $3.8 million impairment of a D'Style customer relationship intangible because the carrying value exceeded projected cash flows. The impairment is included as a component of the Restructuring Expense line item on our Consolidated Statements of Operations.

During fiscal year 2022, we recorded $34.1 million of goodwill impairment related to our Poppin business. Annual goodwill impairment testing determined the carrying value of the Poppin reporting unit exceeded its relative fair value, most notably driven by the impact of COVID-19 and supply chain disruptions on our sales growth model.

Financial Instruments Not Carried At Fair Value:

Financial instruments that are not reflected in the Consolidated Balance Sheets at fair value that have carrying amounts which approximate fair value include the following:

Financial Instrument	Level	Valuation Technique/Inputs Used
Notes receivable	2	Market - Price approximated based on the assumed collection of receivables in the normal course of business, taking into account the customer's non-performance risk.
Equity securities without readily determinable fair value	3	Costs minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Impairment is assessed qualitatively.

The carrying value of our cash deposit accounts, trade accounts receivable, trade accounts payable, customer deposits, and dividends payable approximates fair value due to the relatively short maturity and immaterial non-performance risk. Based upon variable interest rates currently available to the Company, the fair value of our debt approximates the carrying value.

Note 15 Derivative Instruments

Interest Rate Swap:

We are subject to interest rate risk related to our revolving credit facility and have entered into an interest rate swap agreement that is based on LIBOR to manage this exposure. The interest rate swap agreement is designated as a cash flow hedge that qualifies for hedge accounting under the hypothetical derivative method. Fair value adjustments are recorded as a component of Accumulated Other Comprehensive Income, net of tax ("AOCI") in the Consolidated Balance Sheets. Balances in AOCI are reclassified into earnings when transactions related to the underlying risk are settled. As of June 30, 2022 the interest rate swap had a notional value totaling $40.0 million and a weighted average LIBOR fixed rate of 0.834%. See Note 14 - Fair Value of Notes to Consolidated Financial Statements for information regarding the fair value of our interest rate swap.

At June 30, 2022, our interest rate swap was recorded in current assets and non-current assets at $0.9 million and $1.1 million, respectively.

The pre-tax balance of interest rate swap gains in AOCI as of June 30, 2022 was $2.0 million. See Note 19 - Accumulated Other Comprehensive Income of Notes to Consolidated Financial Statements for information regarding activity recorded as a component of AOCI.

Stock Warrants:

We hold a total investment of $2.0 million in a privately-held company, including $1.5 million in stock warrants purchased during fiscal year 2017. The investment in stock warrants is accounted for as a derivative instrument and is included in the Other Assets line of the Consolidated Balance Sheets. The stock warrants are convertible into equity shares of the privately-held company upon achieving certain milestones. The value of the stock warrants will fluctuate primarily in relation to the value of the privately-held company's underlying securities, either providing an appreciation in value or potentially expiring with no value. During the year ended June 30, 2022, the change in fair value of the stock warrants was not significant. See Note 14 - Fair Value of Notes to Consolidated Financial Statements for more information on the valuation of these securities.

Information on the location and amounts of derivative fair values in the Consolidated Balance Sheets are presented below.

Fair Values of Derivative Instruments on the Consolidated Balance Sheets

	Asset Derivatives			Liability Derivatives		
		Fair Value As of			Fair Value As of	
(Amounts in Thousands)	Balance Sheet Location	June 30, 2022	June 30, 2021	Balance Sheet Location	June 30, 2022	June 30, 2021
Derivatives designated as hedging instruments:						
Interest Rate Swap	Prepaid Expenses and Other Current Assets	$ 851	$ —		$ —	$ —
Interest Rate Swap	Other Assets	1,135	—		—	—
		$ 1,986	$ —		$ —	$ —
Derivatives not designated as hedging instruments:						
Stock warrants	Other Assets	$ 1,500	$ 1,500		$ —	$ —
Total derivatives		$ 3,486	$ 1,500		$ —	$ —

Note 16 Investments

Supplemental Employee Retirement Plan Investments:

We maintain a self-directed supplemental employee retirement plan ("SERP") in which executive employees are eligible to participate. The SERP utilizes a rabbi trust, and therefore assets in the SERP portfolio are subject to creditor claims in the event of bankruptcy. We recognize SERP investment assets on the Consolidated Balance Sheets at current fair value. The SERP assets consist primarily of equity funds, balanced funds, target date funds, a bond fund, and a money market fund. A SERP liability of the same amount is recorded on the Consolidated Balance Sheets representing an obligation to distribute SERP funds to participants. The SERP investment assets are classified as trading, and accordingly, realized and unrealized gains and losses are recognized in income in the Other Income (Expense) category. Adjustments made to revalue the SERP liability are also recognized in income as selling and administrative expenses and offset valuation adjustments on SERP investment assets. Net unrealized holding gains (losses) for securities held at June 30, 2022, 2021, and 2020 were, in thousands, $(3,083), $2,725, and $41, respectively. SERP asset and liability balances were as follows:

(Amounts in Thousands)	June 30 2022	June 30 2021
SERP investments - current asset	$ 3,284	$ 3,905
SERP investments - other long-term asset	7,233	10,144
Total SERP investments	$ 10,517	$ 14,049
SERP obligation - current liability	$ 3,284	$ 3,905
SERP obligation - other long-term liability	7,233	10,144
Total SERP obligation	$ 10,517	$ 14,049

Equity securities without readily determinable fair value:

We hold a total investment of $2.0 million in a privately-held company, including $0.5 million in equity securities without readily determinable fair value purchased during fiscal year 2016. The investment in equity securities without readily determinable fair value is included in the Other Assets line of the Consolidated Balance Sheets. See Note 14 - Fair Value of Notes to Consolidated Financial Statements for more information on the valuation of these securities. We do not hold a majority voting interest and are not the variable interest primary beneficiary of the privately-held company, thus consolidation is not required.

Note 17 Accrued Expenses

Accrued expenses consisted of:

(Amounts in Thousands)	June 30 2022	June 30 2021
Compensation	$ 19,025	$ 12,158
Selling	4,213	4,812
Employer retirement contribution	3,410	—
Taxes	7,266	10,295
Insurance	2,306	2,998
Restructuring	974	1,386
Other expenses	3,894	7,466
Total accrued expenses	$ 41,088	$ 39,115

Note 18 Geographic Information

The following geographic area data includes net sales based on the location where title transfers.

(Amounts in Thousands)	Year Ended June 30 2022	2021	2020
Net Sales:			
United States	$ 655,991	$ 565,044	$ 715,175
Foreign	9,886	3,964	12,684
Total Net Sales	$ 665,877	$ 569,008	$ 727,859

Substantially all long-lived assets were located in the United States for each of the three fiscal years ended June 30, 2022. Long-lived assets include property and equipment and other long-term assets such as software.

Note 19 Accumulated Other Comprehensive Income

During fiscal years 2022 and 2021, the changes in the balances of each component of Accumulated Other Comprehensive Income, net of tax, were as follows:

(Amounts in Thousands)	Unrealized Investment Gain (Loss)	Postemployment Benefits Net Actuarial Gain (Loss)	Interest Rate Swap Gain (Loss)	Accumulated Other Comprehensive Income
Balance at June 30, 2020	$ 32	$ 2,105	$ —	$ 2,137
Other comprehensive income (loss) before reclassifications	(32)	192	—	160
Reclassification to (earnings) loss	—	(317)	—	(317)
Net current-period other comprehensive income (loss)	(32)	(125)	—	(157)
Balance at June 30, 2021	$ —	$ 1,980	$ —	$ 1,980
Other comprehensive income (loss) before reclassifications	—	699	1,331	2,030
Reclassification to (earnings) loss	—	(388)	144	(244)
Net current-period other comprehensive income (loss)	—	311	1,475	1,786
Balance at June 30, 2022	$ —	$ 2,291	$ 1,475	$ 3,766

The following reclassifications were made from Accumulated Other Comprehensive Income to the Consolidated Statements of Operations:

Reclassifications from Accumulated Other Comprehensive Income (Amounts in Thousands)	Year Ended June 30 2022	Year Ended June 30 2021	Affected Line Item in the Consolidated Statements of Operations
Postemployment Benefits Amortization of Actuarial Gain [1]	$ 522	$ 427	Non-operating income (expense), net
	(134)	(110)	Benefit (Provision) for Income Taxes
	$ 388	$ 317	Net Income (Loss)
Interest Rate Swap Gain (Loss)[2]	(194)	—	Interest expense
	50	—	Benefit (Provision) for Income Taxes
	$ (144)	$ —	Net Income (Loss)
Total Reclassifications for the Period	$ 244	$ 317	Net Income (Loss)

Amounts in parentheses indicate reductions to income.

(1) See Note 12 - Employee Benefit Plans of Notes to Consolidated Financial Statements for further information on postemployment benefit plans.

(2) See Note 15 - Derivative Instruments of Notes to the Consolidated Financial Statements for further information on derivative instruments.

Note 20 Variable Interest Entities

Our involvement with variable interest entities ("VIEs") is limited to situations in which we are not the primary beneficiary as we lack the power to direct the activities that most significantly impact the VIE's economic performance. Thus, consolidation is not required. Our involvement with VIEs consists of an investment in a privately-held company consisting of equity securities without readily determinable fair value and stock warrants, and notes receivable related to independent dealership financing.

The equity securities without readily determinable fair value and stock warrants were valued at $0.5 million and $1.5 million, respectively, at both June 30, 2022 and June 30, 2021 and were included in the Other Assets line of the Consolidated Balance Sheets. For more information related to our investment in the privately-held company, see Note 14 - Fair Value of Notes to Consolidated Financial Statements.

The carrying value of the notes receivable for independent dealership financing were $0.4 million and $0.7 million as of June 30, 2022 and June 30, 2021, respectively, and were included on the Receivables and Other Assets lines of our Consolidated Balance Sheets.

We have no obligation to provide additional funding to the VIEs, and thus our exposure and risk of loss related to the VIEs is limited to the carrying value of the investment and notes receivable. Financial support provided by Kimball International to the VIEs was limited to the items discussed above during the fiscal year ended June 30, 2022.

Item 9 - ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A - ***Controls and Procedures***

(a) Evaluation of disclosure controls and procedures.

We maintain controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon their evaluation of those controls and procedures performed as of June 30, 2022, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

(b) Management's report on internal control over financial reporting.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and the rules and regulations adopted pursuant thereto, we included a report of management's assessment of the effectiveness of our internal control over financial reporting as part of this report. The effectiveness of our internal control over financial reporting as of June 30, 2022 has been audited by our independent registered public accounting firm. Management's report and the independent registered public accounting firm's attestation report are included in our Consolidated Financial Statements under the captions entitled "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" and are incorporated herein by reference.

(c) Changes in internal control over financial reporting.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2022 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B - ***Other Information***

None.

Item 9C - Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10 - ***Directors, Executive Officers and Corporate Governance***

Directors

The information required by this item with respect to Directors is incorporated by reference to the material contained in our Proxy Statement for our annual meeting of shareholders to be held October 21, 2022 under the captions "Proposal No. 1 - Election of Directors" and "Information Concerning Directors Continuing in Office and Committees."

Committees

The information required by this item with respect to the Audit Committee and its financial experts and with respect to the Compensation and Governance Committee's responsibility for establishing procedures by which shareholders may recommend nominees to the Board of Directors is incorporated by reference to the material contained in our Proxy Statement for our annual meeting of shareholders to be held October 21, 2022 under the caption "Information Concerning Directors Continuing in Office and Committees."

Information about our Executive Officers

The information required by this item with respect to our executive officers is included at the end of Part I of this Annual Report on Form 10-K under "Information about our Executive Officers" and is incorporated herein by reference.

Delinquent Reports under Section 16(a) of the Exchange Act

The information required by this item with respect to delinquent reports under Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to the material contained in our Proxy Statement for our annual meeting of shareholders to be held October 21, 2022 under the caption “Delinquent Section 16(a) Reports.”

Code of Ethics

We have a code of ethics that applies to all of our employees, including our Chief Executive Officer, our Chief Financial Officer, and our Senior Director, Corporate Controller (functioning as Principal Accounting Officer). The code of ethics is posted on our website at www.kimballinternational.com/corporate-governance. It is our intention to disclose any amendments to the code of ethics on this website. In addition, any waivers of the code of ethics for our directors or executive officers will be disclosed in a Current Report on Form 8-K.

Item 11 - *Executive Compensation*

The information required by this item is incorporated by reference to the material contained in our Proxy Statement for our annual meeting of shareholders to be held October 21, 2022 under the captions “Information Concerning Directors Continuing in Office and Committees,” “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Compensation Related Risk Assessment,” and “Executive Officer and Director Compensation.”

Item 12 - ***Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters***

Security Ownership

The information required by this item is incorporated by reference to the material contained in our Proxy Statement for our annual meeting of shareholders to be held October 21, 2022 under the caption “Share Ownership Information.”

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item is incorporated by reference to the material contained in our Proxy Statement for our annual meeting of shareholders to be held October 21, 2022 under the caption “Executive Officer and Director Compensation — Securities Authorized for Issuance Under Equity Compensation Plans.”

Item 13 - *Certain Relationships and Related Transactions, and Director Independence*

Relationships and Related Transactions

The information required by this item is incorporated by reference to the material contained in our Proxy Statement for our annual meeting of shareholders to be held October 21, 2022 under the caption “Review and Approval of Transactions with Related Persons.”

Director Independence

The information required by this item is incorporated by reference to the material contained in our Proxy Statement for our annual meeting of shareholders to be held October 21, 2022 under the caption “Information Concerning Directors Continuing in Office and Committees.”

Item 14 - *Principal Accounting Fees and Services*

The information required by this item is incorporated by reference to the material contained in our Proxy Statement for our annual meeting of shareholders to be held October 21, 2022 under the caption “Proposal No. 5 - Ratification of the Appointment of our Independent Registered Public Accounting Firm” and “Appendix A - Approval Process for Services Performed by the Independent Registered Public Accounting Firm.”

PART IV

Item 15 - *Exhibits and Financial Statement Schedules*

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

(1) Financial Statements:

The following consolidated financial statements of the Company are found in Item 8 and incorporated herein.

(2) Financial Statement Schedules:

Schedules other than those listed above are omitted because they are either not required or not applicable, or the required information is presented in the Consolidated Financial Statements.

(3) Exhibits

Exhibit	Description
2(a)	Agreement and Plan of Merger, dated November 4, 2020, by and among Kimball International, Inc., Project Fifth Gear Merger Corp., Poppin, Inc. and Fortis Advisors LLC, as the Stockholders' Representative (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed November 4, 2020)
2(b)	First Amendment to the Agreement and Plan of Merger, dated as of December 9, 2020, by and among Kimball International, Inc., Project Fifth Gear Merger Corp., Poppin, Inc. and Fortis Advisors LLC, as the Stockholders' Representative (Incorporated by reference to Exhibit 2(b) to the Company's Form 10-Q filed February 8, 2021)
3(a)	Amended and Restated Articles of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed October 29, 2021)
3(b)	Amended and Restated By-Laws of the Company, effective as of October 27, 2021 (Incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed October 29, 2021)
4(a)	Description of the Company's Class B Common Stock (Incorporated by reference to Exhibit 4(a) to the Company's Form 10-K for the fiscal year ended June 30, 2020)
10(a)*	Amended and Restated 2017 Stock Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 29, 2021)
10(b)*	Supplemental Employee Retirement Plan (2015 Revision) (Incorporated by reference to Exhibit 10(d) to the Company's Form 10-K for the fiscal year ended June 30, 2015)

Exhibit	Description
10(c)*	Executive Annual Cash Incentive Plan, effective as of July 1, 2021 (Incorporated by reference to Exhibit 10(a) to the Company's Form 8-K filed July 16, 2021)
10(d)*	Form of Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed July 9, 2018)
10(e)*	Form of Performance Unit Award Agreement (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed July 9, 2018)
10(f)*	Form of Performance Unit Award Agreement (EPS based)
10(g)*	Form of Performance Unit Award Agreement (EPS based) by and between the Company and Kristine L. Juster
10(h)*	Form of Executive Change in Control Agreement (Incorporated by reference to Exhibit 10(q) to the Company's Form 10-K for the fiscal year ended June 30, 2018)
10(i)*	Form of Executive Employment Agreement executed on October 24, 2018 and effective as of November 1, 2018, by and between the Company and Kristine L. Juster (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed October 25, 2018)
10(j)*	First Amendment to Executive Employment Agreement effective as of July 6, 2022, by and between the Company and Kristine L. Juster
10(k)*	Form of Executive Employment Agreement (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed June 29, 2015)
10(l)*	Executive Employment Agreement effective January 31, 2020, by and between the Company and Mark W. Johnson and effective October 19, 2020 by and between the Company and Timothy "T.J." Wolfe (Incorporated by reference to Exhibit 10(w) to the Company's Form 10-K filed August 28, 2020)
10(m)*	Employment Offer for Mr. Wolfe (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 5, 2020)
10(n)	Amended and Restated Credit Agreement, dated as of October 24, 2019 among Kimball International, Inc., the Lenders party hereto, and JPMorgan Chase Bank, National Association, as administrative agent (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 30, 2019)
10(o)	First Amendment to Credit Agreement, dated as of November 4, 2020, among Kimball International, Inc., the lender parties thereto, JPMorgan Chase Bank, National Association, as administrative agent, and the guarantors named therein. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed November 4, 2020)
10(p)	Second Amendment to Amended and Restated Credit Agreement, dated as of September 21, 2021, among Kimball International, Inc., the lender parties thereto, JPMorgan Chase Bank, National Association, as administrative agent, and the guarantors named therein (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed September 24, 2021)
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney
31.1	Certification filed by Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification filed by Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification furnished by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification furnished by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following material from Kimball International, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2021 are formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Cash Flows; (v) Consolidated Statements of Shareholders' Equity; (vi) Notes to Consolidated Financial Statements; and (vii) Schedule II Valuation and Qualifying Accounts.
104	The cover page from the Company's Annual Report on Form 10-K for the annual period ended June 30, 2021, formatted in Inline XBRL and contained in Exhibit 101

* Constitutes management contract or compensatory arrangement

Item 16 - *Form 10-K Summary*

None.

SIGNATURES

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

KIMBALL INTERNATIONAL, INC.

By: /s/ TIMOTHY J. WOLFE

Timothy J. Wolfe
Chief Financial Officer
August 31, 2022

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

/s/ KRISTINE L. JUSTER

Kristine L. Juster
Chief Executive Officer and Director
August 31, 2022

/s/ TIMOTHY J. WOLFE

Timothy J. Wolfe
Chief Financial Officer
August 31, 2022

/s/ DARREN S. GRESS

Darren S. Gress
Senior Director, Corporate Controller
(functioning as Principal Accounting Officer)
August 31, 2022

Signature	Signature
/s/ THOMAS J. TISCHHAUSER * Thomas J. Tischhauser *Director*	/s/ SCOTT M. SETTERSTEN* Scott M. Settersten *Director*
/s/ KIMBERLY K. RYAN * Kimberly K. Ryan *Director*	/s/ VALERIE R. LOVE * Valerie R. Love *Director*
/s/ PATRICK E. CONNOLLY * Patrick E. Connolly *Director, Chair of the Board*	/s/ DR. SUSAN B. FRAMPTON * Dr. Susan B. Frampton *Director*

* The undersigned does hereby sign this document on my behalf pursuant to powers of attorney duly executed and filed with the Securities and Exchange Commission, all in the capacities as indicated:

Date

August 31, 2022

/s/ KRISTINE L. JUSTER
Kristine L. Juster
Director, Chief Executive Officer

Individually and as Attorney-In-Fact

KIMBALL INTERNATIONAL, INC.

Schedule II. - ***Valuation and Qualifying Accounts***

Description	Balance at Beginning of Year	Additions (Reductions) to Expense	Adjustments to Other Accounts	Write-offs and Recoveries	Balance at End of Year
(Amounts in Thousands)					
Year Ended June 30, 2022					
Valuation Allowances:					
Short-Term Receivables	$ 1,121	$ (194)	$ 161	$ (47)	$ 1,041
Long-Term Notes Receivable	$ 347	$ (17)	$ —	$ —	$ 330
Deferred Tax Asset	$ 3,295	$ 1,122	$ 98	$ (260)	$ 4,255
Year Ended June 30, 2021					
Valuation Allowances:					
Short-Term Receivables	$ 2,574	$ 522	$ (385)	$ (1,590)	$ 1,121
Long-Term Notes Receivable	$ 357	$ (10)	$ —	$ —	$ 347
Deferred Tax Asset	$ 1,113	$ 525	$ 2,172	$ (515)	$ 3,295
Year Ended June 30, 2020					
Valuation Allowances:					
Short-Term Receivables	$ 1,321	$ 1,416	$ 127	$ (290)	$ 2,574
Long-Term Notes Receivable	$ 85	$ (6)	$ 278	$ —	$ 357
Deferred Tax Asset	$ 869	$ 268	$ 136	$ (160)	$ 1,113

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kristine L. Juster, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kimball International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2022

/s/ KRISTINE L. JUSTER

KRISTINE L. JUSTER
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy J. Wolfe, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kimball International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2022

/s/ TIMOTHY J. WOLFE

TIMOTHY J. WOLFE
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Kimball International, Inc. (the “Company”) on Form 10-K for the period ending June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kristine L. Juster, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 31, 2022

/s/ KRISTINE L. JUSTER

KRISTINE L. JUSTER
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Kimball International, Inc. (the “Company”) on Form 10-K for the period ending June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Timothy J. Wolfe, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 31, 2022

/s/ TIMOTHY J. WOLFE

TIMOTHY J. WOLFE
Chief Financial Officer

EXECUTIVE LEADERSHIP TEAM

Kristine L. Juster
Chief Executive Officer

Timothy J. Wolfe
Chief Financial Officer

Kourtney L. Smith
Chief Operating Officer,
Workplace & Health

Mark W. Johnson
Chief Legal Officer &
Corporate Secretary &
President, Hospitality

R. Gregory Kincer
Executive Vice President,
Corporate Development &
Treasurer

Greg A. Meunier
Executive Vice President,
Global Operations

Lonnie P. Nicholson
Chief Human
Resources Officer

Michael J. Roch
Chief Customer Officer,
Workplace & Health

BOARD OF DIRECTORS

Patrick E. Connolly
Chair of the Board
Former President & CEO,
Follett Corporation

Dr. Susan B. Frampton
Audit Committee Member
President, Planetree, Inc.

Kristine L. Juster
Chief Executive Officer,
Kimball International

Valerie R. Love
Compensation & Governance
Committee Member
Senior Vice President,
Human Resources North America,
The Coca-Cola Company

Kimberly K. Ryan
Audit Committee Member
President & CEO,
Hillenbrand, Inc.

Scott M. Settersten
Audit Committee Chair
Chief Financial Officer,
Ulta Beauty

Thomas J. Tischhauser
Compensation & Governance
Committee Chair
Principal & Executive Coach,
Wynstone Partners;
Former Corporate Vice President,
Continental Automotive and Motorola, Inc.

Additional Information

10-K REPORT

A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K is available free of charge at the SEC's website, www.sec.gov, on our website, www.kimballinternational.com, or through a request in writing sent to Kimball International, Inc., 1600 Royal Street, Jasper, Indiana 47546, Attention: Corporate Secretary.

TRANSFER AGENT AND REGISTRAR OF COMMON STOCK

Shareholders with questions concerning stock registry requests, address changes, dividend checks, certificate replacements and transferring of shares may contact:

Broadridge Corporate Issuer Solutions, Inc.
PO Box 1342
Brentwood, NY 11717

Phone: 1-844-973-0591 or 1-303-558-4024
Email: shareholder@broadridge.com

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