

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended **April 30, 2021**
- 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 **1-06089**

**H&R Block, Inc.**

(Exact name of registrant as specified in its charter)

**Missouri**  
(State or other jurisdiction of  
incorporation or organization)

**44-0607856**  
(I.R.S. Employer  
Identification No.)

**One H&R Block Way, Kansas City, Missouri 64105**

(Address of principal executive offices, including zip code)

**(816) 854-3000**

(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
Common Stock, without par value	HRB	New York Stock Exchange

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

Common Stock, without par value

(Title of Class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§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 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. Yes  No

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

The aggregate market value of the registrant's Common Stock (all voting stock) held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold on October 30, 2020, was \$3,215,128,609.

Number of shares of the registrant's Common Stock, without par value, outstanding on May 28, 2021: 181,466,003.

**Documents incorporated by reference**

The definitive proxy statement for the registrant's 2021 Annual Meeting of Shareholders, to be filed no later than 120 days after April 30, 2021, is incorporated by reference in Part III to the extent described therein.

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**2021 FORM 10-K AND ANNUAL REPORT  
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## INTRODUCTION

"H&R Block," "the Company," "we," "our" and "us" are used interchangeably to refer to H&R Block, Inc., to H&R Block, Inc. and its subsidiaries, or to H&R Block, Inc.'s operating subsidiaries, as appropriate to the context.

Specified portions of our proxy statement are "incorporated by reference" in response to certain items. Our proxy statement will be made available to shareholders no later than 120 days after April 30, 2021, and will also be available on our website at [www.hrblock.com](http://www.hrblock.com).

## FORWARD-LOOKING STATEMENTS

This report and other documents filed with the Securities and Exchange Commission (SEC) may contain forward-looking statements. In addition, our senior management may make forward-looking statements orally to analysts, investors, the media and others. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words or variation of words such as "expects," "anticipates," "intends," "plans," "believes," "commits," "seeks," "estimates," "projects," "forecasts," "targets," "would," "will," "should," "could," "may" or other similar expressions. Forward-looking statements provide management's current expectations or predictions of future conditions, events or results. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements. They may include estimates of revenues, client trajectory, income, effective tax rate, earnings per share, cost savings, capital expenditures, dividends, share repurchases, liquidity, capital structure, market share, industry volumes or other financial items, descriptions of management's plans or objectives for future operations, services or products, or descriptions of assumptions underlying any of the above. They may also include the expected impact of the coronavirus (COVID-19) pandemic, including, without limitation, the impact on economic and financial markets, the Company's capital resources and financial condition, future expenditures, potential regulatory actions, such as extensions of tax filing deadlines or other related relief, changes in consumer behaviors and modifications to the Company's operations relating thereto.

All forward-looking statements speak only as of the date they are made and reflect the Company's good faith beliefs, assumptions and expectations, but they are not guarantees of future performance or events. Furthermore, the Company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions, factors, or expectations, new information, data or methods, future events or other changes, except as required by law.

By their nature, forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Factors that might cause such differences include, but are not limited to, a variety of economic, competitive, operational and regulatory factors, many of which are beyond the Company's control. In addition, factors that may cause the Company's actual effective tax rate to differ from estimates include the Company's actual results from operations compared to current estimates, future discrete items, changes in interpretations and assumptions the Company has made and future actions of the Company. Investors should understand that it is not possible to predict or identify all such factors and, consequently, should not consider any such list to be a complete set of all potential risks or uncertainties.

Details about risks, uncertainties and assumptions that could affect various aspects of our business are included throughout this Form 10-K. Investors should carefully consider all of these risks, and should pay particular attention to [Item 1A, Risk Factors](#), and [Item 7 under "Critical Accounting Estimates"](#) of this Form 10-K.

**PART I**  
**ITEM 1. BUSINESS**  
**OVERVIEW**

At H&R Block, our purpose is to provide help and to inspire confidence in our clients and communities everywhere through global tax preparation, financial products and small business solutions. We blend digital innovation with the human expertise and care of our associates and franchisees as we help people get the best outcome at tax time, and better manage and access their money year-round. Through Block Advisors and Wave, we help small business owners thrive with innovative products.

H&R Block, Inc. was organized as a corporation in 1955 under the laws of the State of Missouri. A complete list of our subsidiaries as of April 30, 2021 can be found in [Exhibit 21](#).

**RECENT DEVELOPMENTS**

During March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic. As a result of the COVID-19 pandemic, the federal tax filing deadline in the United States (U.S.) for individual 2019 tax returns was extended from April 15, 2020 to July 15, 2020. Substantially all U.S. states with an April 15 individual state income tax filing requirement extended their respective deadlines. In Canada, the deadline for individuals to file was extended to June 1, 2020. Consequently, a portion of revenues and expenses that would have normally been recognized in our fourth quarter of fiscal year 2020 shifted to the first two quarters of fiscal year 2021.

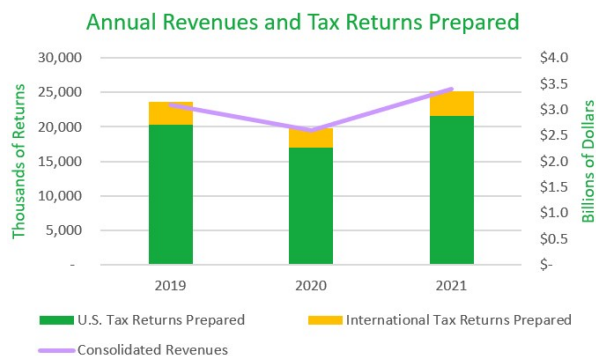
Due to the ongoing impacts of the pandemic, on March 17, 2021, the IRS extended the federal tax filing deadline in the U.S. for individual 2020 tax returns from April 15, 2021 to May 17, 2021. Substantially all U.S. states with an April 15 individual state income tax filing requirement extended their respective deadlines. Consequently, a portion of revenues and expenses that would have normally been recognized in our fourth quarter of fiscal year 2021 shifted to our next fiscal period.

These extensions impacted the typical seasonality of our business and the comparability of our financial results.

During fiscal year 2021, we changed our bank partner from Axos Bank to MetaBank®, N.A. (Meta). On August 5, 2020, we entered into a Program Management Agreement with Meta. Under the Meta Program Management Agreement and its ancillary agreements and related product schedules, Meta acts as the bank provider of H&R Block-branded financial products, including Emerald Advance<sup>SM</sup> (EA), Emerald Card®, Emerald Savings, Refund Advance (RA), and Refund Transfer (RT) in the U.S. See our Current Report filed on Form 8-K dated May 15, 2020 for additional information.

During fiscal year 2021, we prepared **21.6 million U.S. tax returns<sup>(1)</sup>** which contributed to our consolidated revenues of **\$3.4 billion**, net income from continuing operations of **\$590.2 million**, and EBITDA<sup>(2)</sup> from continuing operations of **\$932.5 million**. In fiscal year 2021, we, together with our franchisees, operated **9,271 offices across the U.S.**

<sup>(1)</sup> U.S. Tax returns prepared includes tax returns prepared in U.S. company and franchise office locations, virtually, and through our DIY solutions.  
<sup>(2)</sup> See "[Non-GAAP Financial Information](#)" section within this filing for a reconciliation of non-GAAP measures.



On June 9, 2021, the Board of Directors approved a change of the Company's fiscal year end from April 30 to June 30, effective immediately. The Company plans to file a transition report on Form 10-QT for the transition period of May 1, 2021 through June 30, 2021. The Company's 2022 fiscal year will begin on July 1, 2021 and end on June 30, 2022.

On June 11, 2021, we entered into a Fourth Amended and Restated Credit and Guarantee Agreement, which amended and restated the existing unsecured committed line of credit (CLOC), extending the scheduled maturity date to June 11, 2026, decreasing the aggregate principal amount to \$1.5 billion, revising the applicable rate table, and adjusting the covenant measurement dates due to our fiscal year end change. Other material terms remain substantially unchanged from our existing CLOC. See our Current Report filed on Form 8-K dated June 15, 2021 for additional information.

## FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

We report a single segment that includes all of our continuing operations, which includes tax preparation and small business services. See discussion below and in [Item 8](#), within the notes to the consolidated financial statements.

**During fiscal year 2021, we introduced our Block Horizons Strategy, the next phase of our strategic transformation, which builds on previous work to strengthen our foundation and position us for long term sustainable growth.**

### OUR STRATEGY: BLOCK HORIZONS 2025

Block Horizons is a five year strategy that will leverage our human expertise and technological infrastructure to deliver growth by driving tax solution innovation, helping small businesses to thrive and to ease the financial burden on underbanked individuals.

#### Block Horizons 2025 Imperatives:

**Small Business** - Strengthen the spirit of entrepreneurship and enable small business owners to thrive.

**Financial Products** - Develop new products and experiences that create confidence and ease the financial burden.

**Block Experience** - Reimagine our experience for customers and tax professionals in a digital-first world by blending technology and data with human expertise and care.

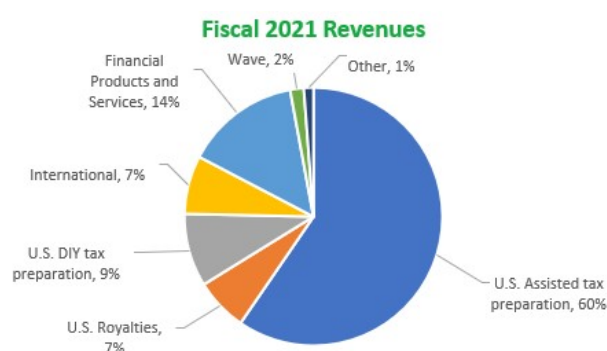
#### Block Horizons 2025 Enablers:

**Talent** - Attract and retain people who act boldly, demand high standards, crave tough problems and value winning as a team.

**Digital and Data** - Accelerate our digital and data capabilities to drive innovation in all facets of our business.

**Fund the Future** - Tip the scale toward future-focused investments of resources – people and dollars – and celebrate those who drive efficiency.

We provide assisted and do-it-yourself (DIY) tax return preparation solutions through multiple channels (including in-person, online and mobile applications, virtual, and desktop software) and distribute H&R Block-branded services and products, including those of our bank partner, to the general public primarily in the U.S., Canada and Australia. We also offer small business financial solutions through our company-owned or franchise offices and online through Wave. Major revenue sources include fees earned for tax preparation via our assisted and DIY channels, royalties from franchisees, and fees from related services and products.



## TAX PREPARATION SERVICES

Assisted income tax return preparation and related services are provided by tax professionals via a system of retail offices operated directly by us or our franchisees. Our tax professionals provide assistance to our clients either in person or virtually in a number of ways. Clients can come into an office, digitally "drop off" their documents for their tax professional, approve their return online, have a tax professional review a return they prepared themselves through Tax Pro Review or get their questions answered as they complete their own return through Online Assist.

We offer a comprehensive range of DIY tax services and products, including federal and state income tax return solutions, access to tax tips, advice and tax-related news, use of calculators for tax planning, error checking and electronic filing. Our online software may be accessed through our website at [www.hrblock.com](http://www.hrblock.com) or in a mobile application, while our desktop software may be purchased online and through third-party retail stores.

Assisted tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client for penalties and interest attributable to an H&R Block error on a tax return. DIY tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client up to a maximum of \$10,000 if our software makes an arithmetic error that results in payment of penalties and/or interest to the IRS that the client would otherwise not have been required to pay.

We offer franchises as a way to expand our presence in certain geographic areas. In the U.S., our franchisees pay us approximately 30% of gross tax return preparation and related service revenues as a franchise royalty.

## OTHER OFFERINGS

We also offer U.S. clients a number of additional services, including RTs, our Peace of Mind® Extended Service Plan (POM), H&R Block Emerald Prepaid Mastercard® (Emerald Card), EAs, Tax Identity Shield® (TIS), RAs, and small business financial solutions. For our Canadian clients we also offer POM, H&R Block Instant Refund<sup>SM</sup>, H&R Block Pay With Refund®, and small business financial solutions.

**Refund Transfers.** RTs enable clients to receive their tax refunds by their chosen method of disbursement and include a feature enabling clients to deduct tax preparation and related fees from their tax refunds. Depending on circumstances, clients may choose to receive their RT proceeds by a load to their Emerald Card, by receiving a check or by direct deposit to an existing account. RTs are available to U.S. clients and are frequently obtained by those who (1) do not have bank accounts into which the IRS can direct deposit their refunds; (2) like the convenience and benefits of a temporary account for receipt of their refund; and/or (3) prefer to have their tax preparation fees paid directly out of their refunds. RTs are offered through our relationship with our bank partner. We offer a similar program, H&R Block Pay With Refund®, to our Canadian clients through a Canadian chartered bank.

**Peace of Mind® Extended Service Plan.** We offer POM to U.S. and Canadian clients, whereby we (1) represent our clients if they are audited by a taxing authority, and (2) assume the cost, subject to certain limits, of additional taxes owed by a client resulting from errors attributable to H&R Block. The additional taxes paid under POM have a cumulative limit of \$6,000 for U.S. clients and \$3,000 CAD for Canadian clients with respect to the federal, state/provincial and local tax returns we prepared for applicable clients during the taxable year protected by POM.

**H&R Block Emerald Prepaid Mastercard®.** The Emerald Card® enables clients to receive their tax refunds from the IRS directly on a prepaid debit card, or to direct RT, EA or RA proceeds to the card. The card can be used for everyday purchases, bill payments and ATM withdrawals anywhere Debit Mastercard® (Mastercard is a registered trademark of Mastercard International Incorporated) is accepted. Additional funds can be added to the card year-round, such as through direct deposit or at participating retail reload providers, and the Emerald Card can be added to clients' mobile wallets. We distribute the Emerald Card® issued by our bank partner.

**H&R Block Emerald Advance® Lines of Credit.** EAs are lines of credit offered to clients in our offices, from mid-November through mid-January, in amounts up to \$1,000. If the borrower meets certain criteria as agreed in the loan terms, the line of credit can be utilized year-round. In addition to the required monthly payments, borrowers may elect to pay down balances on EAs with their tax refunds. These lines of credit are offered by our bank partner, and we subsequently purchase a participation interest in all EAs originated by our bank partner.

**Tax Identity Shield®.** Our TIS program offers clients assistance in helping protect their tax identity and access to services to help restore their tax identity, if necessary. Protection services include a daily scan of the dark web for personal information, a monthly scan for social security number in credit header data, notifying clients if their information is detected on a tax return filed through H&R Block, and obtaining additional IRS identity protections when eligible.

**Refund Advance Loans.** RAs are interest-free loans offered by our bank partner, which are available to eligible U.S. assisted clients in company-owned and participating franchise locations, including virtual clients. In tax season 2021, RAs were offered in amounts of \$250, \$500, \$750, \$1,250 and \$3,500, based on client eligibility as determined by our bank partner.

**H&R Block Instant Refund<sup>SM</sup>.** Our Canadian operations advance refunds due to certain clients from the Canada Revenue Agency (CRA), for a fee. The fee charged for this service is mandated by federal legislation which is administered by the CRA. The client assigns to us the full amount of the tax refund to be issued by the CRA and the refund amount is then sent by the CRA directly to us.

**Small Business Financial Solutions.** Our Block Advisor certified tax professionals provide small businesses with financial expertise in taxes, bookkeeping, payroll and financial audit support through our office network. Wave provides small business owners with an online solution to manage their finances, including payment processing, payroll and bookkeeping services.

## SEASONALITY OF BUSINESS

Because the majority of our clients file their tax returns during the period from February through April in a typical year, a substantial majority of our revenues from income tax return preparation and related services and products are earned during this period. As a result, we generally operate at a loss through the first three quarters of our fiscal year. As a result of the COVID-19 pandemic and delayed federal tax filing deadlines in both the current and prior fiscal years, there has been a shift in the typical seasonality of our business and the comparability of our financial results.

## COMPETITIVE CONDITIONS

We provide assisted and DIY tax preparation services and products, as well as small business financial solutions, and face substantial competition in and across each category from tax return preparation firms and software providers, accounting firms, independent tax preparers, and certified public accountants.

We are one of the largest providers of tax return preparation solutions and electronic filing services in the U.S., Canada, and Australia with over 25.2 million returns filed by or through H&R Block in fiscal year 2021 via 10,675 tax offices and our virtual tax preparation services, mobile applications, and online and desktop DIY solutions.

## GOVERNMENT REGULATION

Our business is subject to various forms of government regulation, including U.S. Federal and state tax preparer regulations, financial consumer protection and privacy regulations, state regulations, franchise regulations and foreign regulations. See further discussion of these items in our [Item 1A. Risk Factors](#) and [Item 7 under "Regulatory Environment"](#) of this Form 10-K.

## HUMAN CAPITAL

Fulfilling our purpose extends to helping and inspiring confidence in our associates. We are committed to our associates' total well-being—physical, mental, financial, career, team and community. Together, when we balance these components, we achieve personal, team and organizational strength. These commitments extend to both our year-round and seasonal associates.

**Associates.** We had approximately 3,600 regular full-time associates as of April 30, 2021. Our business is dependent on the availability of a seasonal workforce, including tax professionals, and our ability to hire, train, and supervise these associates. The highest number of persons we employed during the fiscal year ended April 30, 2021, including seasonal associates, was approximately 72,400.

**Associate Engagement.** We administer an annual survey to all associates to better understand their levels of engagement and identify areas where we can improve. We are pleased with our overall engagement score, meeting or exceeding the global benchmark in all measured categories, and will continue to explore new ways to advance our engagement efforts in the future.

**Compensation and Benefits.** Our compensation programs are designed to attract and retain top talent that act boldly, demand high standards, crave tough problems and value winning as a team. Our equitable and comprehensive benefits offerings provide access to benefits to help both regular and seasonal associates plan for the health and security of their families. H&R Block provides comprehensive medical insurance to our associates, and extends the opportunity for medical insurance to our seasonal workforce who satisfy the eligibility guidelines of the Affordable Care Act (ACA). Subject to meeting eligibility requirements, associates can also choose to participate in the H&R Retirement Savings Plan 401(k) and Employee Stock Purchase Plan.

**Training and Development.** We offer a variety of development opportunities for our associates, including in-person classes, online courses, assessments, and a learning library. Our tax professionals receive extensive annual tax training on topics including recent tax code changes and filing practices, and we offer additional education opportunities for tax professionals to enhance their knowledge and skills. In preparation for the upcoming tax season, our tax professionals receive training on H&R Block products, soft skills and tax office best practices. Each year, our tax professionals receive on average over 30 hours of Tax Education and over 16 hours of Continuing Professional Education.

**Diversity, Inclusion and Belonging.** We continually evaluate our management approaches to improving diversity and inclusion, which includes looking at how we can provide a sense of belonging in the workplace for our associates. We materialized these efforts through our Belonging@Block program which is a council of associates from multiple departments across the organization with the responsibility to represent and improve our diverse and inclusive culture. Because of our efforts to foster a culture of belonging, we are consistently recognized as a top employer in many different categories.

## SERVICE MARKS AND TRADEMARKS

We have made a practice of offering our services and products under service marks and trademarks and of securing registration for many of these marks in the U.S. and other countries where our services and products are marketed. We consider these service marks and trademarks, in the aggregate, to be of material importance to our business, particularly our businesses providing services and products under the "H&R Block" brand. The initial duration of U.S. federal trademark registrations is 10 years. Most U.S. federal registrations can be renewed perpetually at 10-year intervals and remain enforceable so long as the marks continue to be used.



## INFORMATION ABOUT OUR EXECUTIVE OFFICERS



**Jeffrey J. Jones II**, 53, became our President and Chief Executive Officer in October 2017 and was our President and Chief Executive Officer-Designate from August 2017 to October 2017. Before joining the Company, he served as the President of Ridesharing at Uber Technologies, Inc. from October 2016 until March 2017. He also served as the Executive Vice President and Chief Marketing Officer of Target Corporation from April 2012 until September 2016.



**Tony G. Bowen**, 46, became our Chief Financial Officer in May 2016. Prior to that, he served as our Vice President, U.S. Tax Services Finance from May 2013 through April 2016.



**Kellie J. Logerwell**, 51, became our Chief Accounting Officer in July 2016. Prior to that, she served as our Vice President of Corporate and Field Accounting from December 2014 until July 2016 and as our Assistant Controller from December 2010 until December 2014.



**Thomas A. Gerke**, 65, became our General Counsel and Chief Administrative Officer in May 2016. Prior to that, he served as our Chief Executive Officer (in an interim capacity) from August 2017 until October 2017; our Chief Legal Officer (formerly titled Senior Vice President and General Counsel) from January 2012 through April 2016. Before joining the Company, he served as the Executive Vice President, General Counsel and Secretary of YRC Worldwide from January 2011 until April 2011 Executive Vice Chairman, Century Link, Inc. from July 2009 until December 2010; President and Chief Executive Officer, Embarq Corporation (in an interim capacity from December 2007 until March 2008 and by appointment from March 2008 until June 2009).



**Karen Orosco**, 50, became our President, Global Consumer Tax and Service Delivery in June 2021. Prior to that she served as our Senior Vice President, U.S. Retail beginning in May 2016, and our Vice President of Retail Operations from May 2011 until May 2016.

## AVAILABILITY OF REPORTS AND OTHER INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed with or furnished to the SEC are available, free of charge, through our website at [www.hrblock.com](http://www.hrblock.com) as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) containing reports, proxy and information statements and other information regarding issuers who file electronically with the SEC.

The following corporate governance documents are posted on our website at [www.hrblock.com](http://www.hrblock.com):

- The Amended and Restated Articles of Incorporation of H&R Block, Inc.;
- The Amended and Restated Bylaws of H&R Block, Inc.;
- The H&R Block, Inc. Corporate Governance Guidelines;
- The H&R Block, Inc. Code of Business Ethics and Conduct;
- The H&R Block, Inc. Board of Directors Independence Standards;
- The H&R Block, Inc. Audit Committee Charter;
- The H&R Block, Inc. Compensation Committee Charter;
- The H&R Block, Inc. Finance Committee Charter; and
- The H&R Block, Inc. Governance and Nominating Committee Charter.

If you would like a printed copy of any of these corporate governance documents, please send your request to H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105, Attention: Corporate Secretary.

Information contained on our website does not constitute any part of this report.

## ITEM 1A. RISK FACTORS

Our business activities expose us to a variety of risks. Identification, monitoring, and management of these risks are essential to the success of our operations and the financial soundness of H&R Block. Senior management and the Board of Directors, acting as a whole and through its committees, take an active role in our risk management process and have delegated certain activities related to the oversight of risk management to the Company's enterprise risk management team and the Enterprise Risk Committee, which is comprised of Vice Presidents of major business and control functions and members of the enterprise risk management team. The Company's enterprise risk management team, working in coordination with the Enterprise Risk Committee, is responsible for identifying and monitoring risk exposures and related mitigation and leading the continued development of our risk management policies and practices.

An investment in our securities involves risk, including the risk that the value of that investment may decline or that returns on that investment may fall below expectations. There are a number of factors that could cause actual conditions, events, or results to differ materially from those described in forward-looking statements, many of which are beyond management's control or its ability to accurately estimate or predict, or that could adversely affect our financial position, results of operations, cash flows, and the value of an investment in our securities.

### OPERATIONAL AND EXECUTION RISKS

**Our financial condition and results of operations have been, and may continue to be, adversely affected by the COVID-19 pandemic, and may be impacted by a resurgence of COVID-19 or a future outbreak of another highly infectious or contagious disease.**

During March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic, and the impacts of the pandemic have been felt since that time. Jurisdictions in which we operate issued a high volume of orders related to COVID-19, which imposed various restrictions on our business at various times over the past fiscal year, including occupancy restrictions and other operational limitations, and social distancing requirements. We took a variety of actions to address the impacts of the COVID-19 pandemic on our business, including implementing operational changes across our U.S. assisted locations to increase the number of clients who drop off their documents and approve online and providing multiple virtual solutions to enable clients to engage with us in whatever way they felt most comfortable. We also implemented safety measures throughout our office network, including requiring social distancing and face coverings, frequent disinfecting of high-contact surfaces, and use of protective shields. Notwithstanding the above-described efforts, there is no certainty that the measures we implemented, or may implement in the future, are or will be sufficient to mitigate the risks posed by COVID-19. Alleged failures in this regard could result in negative impacts, including regulatory investigations, claims, legal actions, harm to our reputation and brands, fines, penalties, and other damages.

As a result of the COVID-19 pandemic, the U.S. federal and state deadlines for individual 2019 tax returns were extended from April 15, 2020 to July 15, 2020. Consequently, a portion of revenues and expenses that would have normally been recognized in our fourth quarter of fiscal year 2020 shifted to the first two quarters of fiscal year 2021. Due to the ongoing impacts of the COVID-19 pandemic, the IRS extended the deadline for individual 2020 tax returns from April 15, 2021 to May 17, 2021, and substantially all U.S. states with an April 15 individual state income tax filing requirement extended their respective deadlines. Due to these delays, a portion of revenues and expenses that would have normally been recognized in our fourth quarter of fiscal year 2021 shifted to the next fiscal period. These extensions impacted the typical seasonality of our business and the comparability of our financial results. Treasury, the IRS, and state or foreign officials may determine to extend future tax deadlines or take other actions, which could have an additional material adverse effect on our business and our consolidated financial position, results of operations, and cash flows in future years.

The extent to which the COVID-19 pandemic impacts our business, operations, and financial results going forward will depend on numerous evolving factors that we may not be able to accurately predict. The further spread of COVID-19 or a new global or national outbreak of COVID-19 or another highly infectious or contagious

disease, the requirements to take action to help limit the spread of illness, and the other risks described above may further impact our ability to carry out our business and may materially adversely impact global economic conditions, our business, results of operations, cash flows, and financial condition.

**An interruption in our information systems, or those of our franchisees or a third party on which we rely, or an interruption in the internet, could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.**

We, our franchisees, and other third parties involved in our business operations rely heavily upon communications, networks, and information systems and the internet to conduct our business, including third-party internet-based or cloud computing services. These networks, systems, and operations are potentially vulnerable to damage or interruption from upgrades and maintenance, network failure, hardware failure, software failure, power or telecommunications failures, cyberattacks, human error, and natural disasters. As our tax preparation business is seasonal, our systems must be capable of processing high volumes during our peak periods. Therefore, any failure or interruption in our information systems, or information systems of our franchisees or a private or government third party on which we rely, or an interruption in the internet or other critical business capability, could negatively impact our business operations and reputation, and increase our risk of loss.

There can be no assurance that system or internet failures or interruptions in critical business capabilities will not occur, or, if they do occur, that we, our franchisees or the private or governmental third parties on whom we rely, will adequately address them. The precautionary measures that we have implemented to avoid systems outages and to minimize the effects of any data or communication systems interruptions or failures may not be adequate, and we may not have anticipated or addressed all of the potential events that could threaten or undermine our information systems or other critical business capabilities. We do not have redundancy for all of our systems and our disaster recovery planning may not account for all eventualities. Our software and computer systems utilize cloud computing services provided by Microsoft Corporation. If the Microsoft Azure Cloud is unavailable for any reason, it could negatively impact our ability to deliver our services and products and our clients may not be able to access certain of our cloud products or features, any of which could significantly impact our operations, business, and financial results.

The occurrence of any systems or internet failure, or business interruption could negatively impact our ability to serve our clients, which in turn could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**Any significant delays in launching our tax service and product offerings, changes in government regulations or processes (including the acceptance of tax returns and the issuance of refunds and other amounts to clients by the IRS) that affect how we provide such offerings to our clients, or significant problems with such offerings or the manner in which we provide them to our clients may harm our revenue, results of operations, and reputation.**

Tax laws and tax forms are subject to change each year, and the nature and timing of such changes are unpredictable. As a part of our business, we must incorporate any changes to tax laws and tax forms into our tax service and product offerings, including our online and mobile applications and desktop software. The unpredictable nature, timing and effective dates of changes to tax laws and tax forms can result in condensed development cycles for our tax service and product offerings because our clients expect high levels of accuracy and a timely launch of such offerings to prepare and file their taxes by the tax filing deadline and, in turn, receive any tax refund amounts on a timely basis. Further, changes in governmental administrations or regulations could result in further and unanticipated changes in requirements or processes, which may require us to make corresponding changes to our client service systems and procedures. Certain of our financial products are dependent on the IRS following the client's directions to direct deposit the tax refund. If the IRS disregards this direction, and sends the tax refund via check, then it could result in a loss of tax preparation and financial product revenue, negative publicity, and client dissatisfaction. In addition, unanticipated changes in governmental processes, or newly implemented processes, for (1) accepting tax filings and related forms, including the ability of taxing authorities to accept electronic tax return filings, or (2) distributing tax refunds or other amounts to clients may result in processing delays by us or applicable taxing authorities. From time to time, we review and enhance our quality controls for preparing accurate tax returns, but there can be no assurance that we will be able to prevent all inaccuracies.

Any major defects or delays caused by the above-described complexities may lead to loss of clients and loss of or delay in revenue, negative publicity, client dissatisfaction, a deterioration in our business relationships with our partners or our franchisees, reduced retailer shelf space and promotions, exposure to litigation, and increased operating expenses, even if any such launch delays or defects are not caused by us. Any of the risks described above could have a material adverse effect on our business, our reputation, and our consolidated financial position, results of operations, and cash flows.

**We rely on a single vendor or a limited number of vendors to provide certain key services or products, and the inability of these key vendors to meet our needs could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.**

Historically, we have contracted, and in the future we will likely continue to contract, with a single vendor or a limited number of vendors to provide certain key services or products for our tax, financial, and other services and products. A few examples of this type of reliance are our relationships with Fidelity National Information Services, Inc. (FIS,) or similar vendors, for data processing and card production services, MetaBank®, N.A. (Meta), for the issuance of RTs, EAs, RAs and Emerald Cards, and Microsoft Corporation, for cloud computing services. In certain instances, we are vulnerable to vendor error, service inefficiencies, service interruptions, or service delays. Our sensitivity to any of these issues may be heightened (1) due to the seasonality of our business, (2) with respect to any vendor that we utilize for the provision of any product or service that has specialized expertise, (3) with respect to any vendor that is a sole or exclusive provider, or (4) with respect to any vendor whose indemnification obligations are limited or that does not have the financial capacity to satisfy its indemnification obligations. Some of our vendors are subject to the oversight of regulatory bodies and, as a result, our product or service offerings may be affected by the actions or decisions of such regulatory bodies. If our vendors are unable to meet our needs and we are not able to develop alternative sources for these services and products quickly and cost-effectively, it could result in a material and adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

**The specialized and highly seasonal nature of our business presents financial risks and operational and human capital challenges.**

Our business is highly seasonal, with the substantial portion of our revenue earned from February through April in a typical year. The concentration of our revenue-generating activity during this relatively short period presents a number of challenges for us, including (1) cash and resource management during the remainder of our fiscal year, when we generally operate at a loss and incur fixed costs and costs of preparing for the upcoming tax season, (2) ensuring compliance with financial covenants under our CLOC, particularly if the timing of our revenue generation deviates from this seasonal period such as has occurred in our two previous fiscal years, (3) responding to changes in competitive conditions, including marketing, pricing, and new product offerings, which could affect our position during the tax season, (4) disruptions or delays in a tax season, including those caused by pandemics, such as the COVID-19 outbreak, which may disproportionately affect us compared to other companies if they occur during our fiscal fourth quarter, (5) client dissatisfaction issues or negative social media campaigns, which may not be timely discovered or satisfactorily addressed during this short period, and (6) ensuring optimal uninterrupted operations and service delivery during the tax season. If we experience significant business disruptions during the tax season or if we are unable to satisfactorily address the challenges described above and related challenges associated with a seasonal business, we could experience a loss, disruption, or change in timing of business, which could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

Our business depends on our ability to attract, develop, motivate, and retain key personnel in a timely manner, including members of our executive team and those in seasonal tax preparation positions (which may be required on short notice during any extended tax season) or with other required specialized expertise, including technical positions. The market for such personnel is extremely competitive, and there can be no assurance that we will be successful in our efforts to attract and retain the required personnel within necessary timeframes. If we are unable to attract, develop, motivate, and retain key personnel, our business, operations, and financial results could be negatively impacted. In addition, if our costs of labor or related costs increase for other reasons or if new or revised labor laws, rules or regulations are adopted or implemented that impact our seasonal workforce and

increase our labor costs, there could be a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**Our business depends on our strong reputation and the value of our brands.**

Developing and maintaining awareness of our brands is critical to achieving widespread acceptance of our existing and future services and products and is an important element in attracting new clients. In addition, our franchisees may operate their businesses under our brands. Adverse publicity (whether or not justified) relating to events or activities involving or attributed to us, our franchisees, employees, or agents or our services or products, which may be enhanced due to the nature of social media, may tarnish our reputation and reduce the value of our brands. Damage to our reputation and loss of brand equity may reduce demand for our services and products and thus have an adverse effect on our future financial results, as well as require additional resources to rebuild our reputation and restore the value of our brands.

**Failure to maintain sound business relationships with our franchisees may have a material adverse effect on our business and we may be subject to legal and other challenges resulting from our franchisee relationships.**

Our financial success depends in part on our ability to maintain sound business relationships with our franchisees. The support of our franchisees is also critical for the success of our ongoing operations. Deterioration in our relationships with our franchisees could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

We also grant our franchisees a limited license to use our registered trademarks and, accordingly, there is risk that one or more of the franchisees may be alleged to be controlled by us. Third parties, regulators or courts may seek to hold us responsible for the actions or failures to act by our franchisees. Adverse outcomes related to legal actions could result in substantial damages and could cause our earnings to decline. Negative public opinion could also result from our or our franchisees' actual or alleged conduct in such claims, possibly damaging our reputation, which, in turn, could adversely affect our business prospects and cause the market price of our securities to decline.

**Our international operations are subject to risks that may harm our business and our consolidated financial position, results of operations, and cash flows.**

We have international operations, including tax preparation businesses in Canada and Australia, technology centers in India and Ireland, and Wave in Canada. We may consider expansion opportunities in additional countries in the future and there is uncertainty about our ability to generate revenues from new or emerging foreign operations and expand into other international markets. Additionally, there are risks inherent in doing business internationally, including: (1) changes in trade regulations; (2) difficulties in managing foreign operations as a result of distance, language, and cultural differences; (3) profit repatriation restrictions, and fluctuations in foreign currency exchange rates; (4) geopolitical events, including acts of war and terrorism, and economic and political instability; (5) compliance with U.S. laws such as the Foreign Corrupt Practices Act and other applicable foreign anti-corruption laws; (6) compliance with U.S. and international laws and regulations, including those concerning privacy, and data protection and retention; and (7) risks related to other government regulation or required compliance with local laws. These risks inherent in our international operations and expansion could increase our costs of doing business internationally and could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

In addition, we prepare U.S. federal and state tax returns for taxpayers residing in foreign jurisdictions, including the European Union (EU), and we and certain of our franchisees operate and provide other services in foreign jurisdictions. As a result, certain aspects of our operations are subject, or may in the future become subject, to the laws, regulations, and policies of those jurisdictions that regulate the collection, use, and transfer of personal information, which may be more stringent than those of the U.S., including, but not limited to the EU General Data Protection Regulation, the Canadian Personal Information Protection and Electronic Documents Act, and Canadian Provincial legislation.

Costs for us to comply with such laws, regulations, and policies that are applicable to us could be significant. We may also face audits or investigations by one or more foreign government agencies relating to these laws, regulations, and policies that could result in the imposition of penalties or fines.

## STRATEGIC AND INDUSTRY RISKS

**Changes in applicable tax laws have had, and may in the future have, a negative impact on the demand for and pricing of our services. Government changes in tax filing processes may adversely affect our business and our consolidated financial position, results of operations, and cash flows.**

The U.S. government has in the past made, and may in the future make, changes to the individual income tax provisions of the Internal Revenue Code, tax regulations, and the rules and procedures for implementing such laws and regulations. In addition, taxing authorities in various state, local, and foreign jurisdictions in which we operate may change the income tax laws in their respective jurisdictions. It is difficult to predict the manner in which future changes to the Internal Revenue Code, tax regulations, and the rules and procedures for implementing such laws and regulations, and state, local, and foreign tax laws may impact us and the tax return preparation industry. Such future changes could decrease the demand or the amount we charge for our services, and, in turn, have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

In addition, there are various initiatives from time to time seeking to simplify the tax return preparation filing process. Taxing authorities in various state, local, and foreign jurisdictions in which we operate have also introduced measures seeking to simplify or otherwise modify the preparation and filing of tax returns or the issuance of refunds in their respective jurisdictions. For example, from time to time, U.S. federal and state governments have considered various proposals through which the respective governmental taxing authorities would use taxpayer information provided by employers, financial institutions, and other payers to "pre-populate," prepare and calculate tax returns and distribute them to taxpayers. There are various initiatives from time to time seeking to expedite, reduce, or change the timing of refunds, such as the new monthly child tax credit, which could reduce the demand for certain of our services or financial products.

The adoption or expansion of any measures that significantly simplify tax return preparation, or otherwise reduce the need for third-party tax return preparation services or financial products, including governmental encroachment at the U.S. federal and state levels, as well as in foreign jurisdictions, could reduce demand for our services and products and could have a material adverse effect on our business and our consolidated financial position, results of operations and cash flows.

**Increased competition for clients could adversely affect our current market share and profitability, and we may not be effective in achieving our strategic and operating objectives.**

We face substantial competition throughout our businesses. All categories in the tax return preparation industry are highly competitive and we recently announced our new strategy, to focus on small businesses, financial products, and improving our tax client experience, to differentiate ourselves from those competitors. However, additional competitors have entered, and in the future may enter, the market to provide tax preparation services or products. In the assisted tax services category, there are a substantial number of tax return preparation firms and accounting firms offering tax return preparation services. Commercial tax return preparers are highly competitive with regard to price and service. In DIY and virtual, options include various forms of digital electronic assistance, including online and mobile applications, and desktop software, all of which we offer. Our DIY and virtual services and products compete with a number of online and software companies, primarily on price and functionality. Individual tax filers may elect to change their tax preparation method, choosing from among various assisted, DIY, and virtual offerings. While we believe that our new strategic objectives reflect opportunities that are appropriate and achievable, it is possible that our objectives may not deliver projected long-term growth in revenue and profitability due to competition, inadequate execution, incorrect assumptions, sub-optimal resource allocation, or other reasons, including any of the other risks described in this "Risk Factors" section. If we are unable to realize the desired benefits from our business strategy, our ability to compete across our business and our consolidated financial position, results of operations, and cash flows could be adversely affected.

Technology advances quickly and in new and unexpected ways, and it is difficult to predict the manner in which these changes will impact the tax return preparation industry, the problems we may encounter in enhancing our services and products or the time and resources we may need to devote to the creation, support, and maintenance of technological enhancements. If we are slow to enhance our services, products, or technologies, if our competitors are able to achieve results more quickly than us, or if there are new and unexpected entrants into the industry, we may fail to capture, or lose, a significant share of the market.

Additionally, we and many other tax return preparation firms compete by offering one or more of RTs, prepaid cards, RAs, other financial services and products, and other tax-related services and products, many of which are subject to regulatory scrutiny, litigation, and other risks. We can make no assurances that we will be able to offer, or continue to offer, all of these services and products and a failure to do so could negatively impact our financial results and ability to compete. Intense competition could result in a reduction of our market share, lower revenues, lower margins, and lower profitability. In addition, we face intense competition with our small business financial solutions. We may be unsuccessful in competing with other providers, which may diminish our revenue and profitability, and harm our ability to acquire and retain clients.

**Offers of free services or products could adversely affect our revenues and profitability.**

U.S. federal, state and foreign governmental authorities in certain jurisdictions in which we operate currently offer, or facilitate the offering of, tax return preparation and electronic filing options to taxpayers at no charge, and certain volunteer organizations also prepare tax returns at no charge for low-income taxpayers. In addition, many of our competitors offer certain tax preparation services and products, and other financial services and products, at no charge. Government tax authorities, volunteer organizations, our competitors, and potential new market entrants may also elect to implement or expand free offerings in the future. Free File, Inc., which operates under an agreement that is currently set to expire in October 2022, is currently the sole means through which the IRS offers DIY tax software to taxpayers, however the IRS is not prohibited from offering competing services.

In order to compete, we have offered certain, and may in the future offer additional, services and products at no charge. There can be no assurance that we will be able to attract clients or effectively ensure the migration of clients from our free offerings to those for which we receive fees, and clients who have formerly paid for our offerings may elect to use free offerings instead. These competitive factors may diminish our revenue and profitability, or harm our ability to acquire and retain clients, resulting in a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**Our businesses may be adversely affected by difficult economic conditions and high unemployment levels.**

Difficult economic conditions are frequently characterized by high unemployment levels and declining consumer and business spending. The COVID-19 pandemic has resulted in increased levels of unemployment globally, which may be sustained. These poor economic conditions may negatively affect demand and pricing for our services and products. In the event of difficult economic conditions that include high unemployment levels, especially within the client segments we serve, clients may elect not to file tax returns or utilize lower cost preparation and filing alternatives.

In addition, difficult economic conditions may disproportionately impact small business owners. Wave's revenues were negatively impacted during the start of the COVID-19 pandemic, and may again be negatively impacted in the event of a sustained economic slowdown or recession. Difficult economic conditions, including an economic recession resulting from the COVID-19 pandemic, could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**INFORMATION SECURITY, CYBERSECURITY, AND DATA PRIVACY RISKS**

**Compliance with the complex and evolving laws, regulations, standards, and contractual requirements regarding privacy and data protection could require changes in our business practices and increase costs of operation; failure to comply could result in significant claims, fines, penalties, and damages.**

Due to the nature of our business, we collect, use, and retain large amounts of personal information and data from our clients, including tax return information, financial product and service information, and social security numbers. In addition, we collect, use, and retain personal information and data of our employees in the ordinary course of our business.

We are subject to laws, rules, and regulations relating to the collection, use, disclosure, and security of such consumer and employee personal information, which have drawn increased attention from U.S. federal, state, and foreign governmental authorities in jurisdictions in which we operate. In the U.S., the IRS generally requires a tax return preparer to obtain the written consent of the taxpayer prior to using or disclosing the taxpayer's information for certain purposes other than tax return preparation, which may limit our ability to market revenue-generating products to our clients. In addition, other regulations require financial institutions to adopt and disclose

their consumer privacy notice and generally provide consumers with a reasonable opportunity to "opt-out" of having nonpublic personal information disclosed to unaffiliated third parties.

Numerous jurisdictions have passed, and may in the future pass, new laws related to the use and retention of consumer or employee information and this area continues to be an area of interest for U.S. federal, state, and foreign governmental authorities. For example, the State of California adopted the California Consumer Privacy Act (CCPA), which became effective January 1, 2020, as amended by the California Privacy Rights Act (CPRA), which will be effective January 1, 2023. Subject to certain exceptions, these laws impose new requirements on how businesses collect, process, manage, and retain certain personal information of California residents and provide California residents with various rights regarding personal information collected by a business. Other states have adopted or may in the future adopt their own, different privacy laws. These laws may contain different requirements or may be interpreted and applied inconsistently from jurisdiction to jurisdiction. Our current privacy and data protection policies and practices may not be consistent with all of those requirements, interpretations, or applications. In addition, changes in U.S. federal and state regulatory requirements, as well as requirements imposed by governmental authorities in foreign jurisdictions in which we operate, could result in more stringent requirements and in a need to change business practices, including the types of information we can use and the manner in which we can use such information. Establishing systems and processes, or making changes to our existing policies, to achieve compliance with these complex and evolving requirements may increase our costs or limit our ability to pursue certain business opportunities. There can be no assurance that we will successfully comply in all cases, which could result in regulatory investigations, claims, legal actions, harm to our reputation and brands, fines, penalties, and other damages.

We have incurred, and may continue to incur, significant expenses to comply with existing privacy and data security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

**A security breach of our systems, or third-party systems on which we rely, resulting in unauthorized access to personal information of our clients or employees or other sensitive, nonpublic information, may adversely affect the demand for our services and products, our reputation, and financial performance.**

We offer a range of services and products to our clients, including tax return preparation solutions, financial services and products, and small business financial solutions through our company-owned or franchise offices and online. Due to the nature of these services and products, we use multiple digital technologies to collect, transmit, and store high volumes of client personal information. We also collect, use, and retain other sensitive, nonpublic information, such as employee social security numbers, healthcare information, and payroll information, as well as confidential, nonpublic business information. Certain third parties and vendors have access to personal information to help deliver client benefits, services and products, or may host certain of our and our clients' sensitive and personal information and data. Information security risks continue to increase due in part to the increased adoption of and reliance upon digital technologies by companies and consumers. Our risk and exposure to these matters remain heightened due to a variety of factors including, among other things, (1) the evolving nature of these threats and related regulation, (2) the increased activity and sophistication of nation states, organized crime, cyber criminals, and hackers, (3) the prominence of our brand, (4) our and our franchisees' extensive office footprint, (5) our plans to continue to implement strategies for our online and mobile applications and our desktop software, (6) our use of third-party vendors, and the (7) usage of remote working arrangements by our associates, franchisees, and third-party vendors, which significantly expanded due to the COVID-19 pandemic.

Cybersecurity risks may result from fraud or malice (a cyberattack), human error, or accidental technological failure. Cyberattacks are designed to electronically circumvent network security for malicious purposes such as unlawfully obtaining personal information, disrupting our ability to offer services, damaging our brand and reputation, stealing our intellectual property, or advancing social or political agendas. We face a variety of cyberattack threats including computer viruses, malicious codes, worms, phishing attacks, social engineering, denial of service attacks, ransomware, and other sophisticated attacks.

Although we use security and business controls to limit access to and use of personal information and expend significant resources to maintain multiple levels of protection in order to address or otherwise mitigate the risk of a security breach, such measures cannot provide absolute security. We regularly test our systems to discover and address potential vulnerabilities, and we rely on training and testing of our employees regarding heightened



phishing and social engineering threats. We also conduct certain background checks on our employees, as allowed by law. Due to the structure of our business model, we also rely on our franchisees and other private and governmental third parties to maintain secure systems and respond to cybersecurity risks. Where appropriate, we impose certain requirements and controls on these third parties, but it is possible that they may not appropriately employ these controls or that such controls (or their own separate requirements and controls) may be insufficient to protect personal information.

Cybersecurity and the continued development and enhancement of our controls, processes, and practices designed to protect our systems, computers, software, data, and networks from attack, damage, or unauthorized access remain a priority for us. As risks and regulations continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities. Notwithstanding these efforts, there can be no assurance that a security breach, intrusion, or loss or theft of personal information will not occur. In addition, the techniques used to obtain unauthorized access change frequently, become more sophisticated, and are often difficult to detect until after a successful attack, causing us to be unable to anticipate these techniques or implement adequate preventive measures in all cases. Although we generally seek to maintain insurance from time to time that might mitigate some of our damages in the event of a significant security breach or cyberattack, we would still be exposed to damages in the amounts of our deductibles, retentions, and for losses outside of the scope of our policies (e.g., reputational harm). Furthermore, insurance against cybersecurity risks may cease to be available to us in the future or the pricing of such insurance may be prohibitively expensive.

Unauthorized access to personal information as a result of a security breach could cause us to determine that it is required or advisable for us to notify affected individuals, regulators, or others under applicable privacy laws and regulations. Security breach remediation could also require us to expend significant resources to assist impacted individuals, repair damaged systems, implement modified information security measures, and maintain client and business relationships. Other consequences could include reduced client demand for our services and products, loss of valuable intellectual property, reduced growth and profitability and negative impacts to future financial results, loss of our ability to deliver one or more services or products (e.g., inability to provide financial services and products or to accept and process client credit card transactions or tax returns), modifying or stopping existing business practices, legal actions, harm to our reputation and brands, fines, penalties, and other damages, and further regulation and oversight by U.S. federal, state, or foreign governmental authorities.

A security breach or other unauthorized access to our systems could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**Identity theft or other fraud that impedes our clients' ability to file their tax returns and receive their tax refunds could diminish consumers' perceptions of the security and reliability of our services and products, resulting in negative publicity.**

A person with malicious intent may unlawfully take user account and password information from our clients in order to electronically file fraudulent federal and state tax returns which could impede our clients' ability to file their tax returns and receive refunds, or other amounts and diminish consumers' perceptions of the security and reliability of our services and products, despite no breach in the security of our systems.

Governmental authorities in jurisdictions in which we operate have taken action, and may in the future take additional action, in an attempt to combat identity theft or other fraud, which may require changes to our systems and business practices, that we cannot anticipate. These actions may have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

A number of companies, including some in the tax return preparation industry, have reported instances where criminals gained access to consumer information or user accounts maintained on their systems by using stolen identity information (e.g., email, username, password information, or credit history) obtained from third-party sources. We have experienced, and in the future may continue to experience, this form of unauthorized and illegal access to our systems, despite no breach in the security of our systems. Additionally, if such unauthorized or illegal access occurs, we may be subject to claims and litigation by clients, non-clients, or governmental agencies. Such events could negatively impact our clients and harm our financial position, results of operations, and reputation.

## LEGAL AND REGULATORY RISKS

**Regulations promulgated by the Consumer Financial Protection Bureau (CFPB) or other regulators may affect our financial services businesses in ways we cannot predict, which may require changes to the financial products we offer, our services and contracts.**

The CFPB has broad powers to administer, investigate compliance with, and, in some cases, enforce U.S. federal financial consumer protection laws. The CFPB has broad rule-making authority for a wide range of financial consumer protection laws that apply to certain of the financial products we offer, including the authority to prohibit "unfair, deceptive, or abusive" acts and practices. Given the recent change in administration, including in the leadership and direction of the CFPB, it is more difficult to predict how currently proposed or new regulations may impact the financial products we offer.

The CFPB and state regulators may examine, investigate, and take enforcement actions against our subsidiaries that provide consumer financial services and products, as well as financial institutions and service providers upon which our subsidiaries rely to provide consumer financial services and products. State regulators also have certain authority in enforcing and promulgating financial consumer protection laws, the results of which could be (i) states issuing new and broader financial consumer protection laws, some of which could be more comprehensive than existing U.S. federal regulations, or (ii) state attorneys general bringing actions to enforce federal consumer protection laws.

Currently proposed or new CFPB and state regulations may require changes to the financial products we offer, our services or contracts, and this could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**Laws and regulations or other regulatory actions could have an adverse effect on our business and our consolidated financial position, results of operations, and cash flows.**

Our tax preparation business is subject to various forms of government regulation, including U.S. federal requirements regarding the signature and inclusion of identification numbers on tax returns and tax return retention requirements. U.S. federal laws also subject income tax return preparers to accuracy-related penalties, and preparers may be prohibited from continuing to act as income tax return preparers if they repeatedly engage in specified misconduct. We are also subject to, among other things, advertising standards for electronic tax return filers, and to possible monitoring by the IRS, and if deemed appropriate, the IRS could impose various penalties, including suspension from the IRS electronic filing program. Many states and local jurisdictions have laws regulating tax professionals or the offering of income tax courses, which are in addition to and may be different than federal requirements.

In addition, our franchising activities are subject to various rules and regulations, including requirements to furnish prospective franchisees with a prescribed franchise disclosure document. Substantive state laws regulating the franchisor/franchisee relationship presently exist in a large number of states. These state laws often limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply. In addition, bills have been introduced from time to time that would provide for federal regulation of the franchisor/franchisee relationship in certain respects or that would impact the traditional nature of the relationship between franchisors and franchisees.

Given the nature of our businesses, we are subject to various additional federal, state, local, and foreign laws and regulations, including, without limitation, in the areas of labor, immigration, marketing and advertising, consumer protection, financial services and products, payment processing, privacy and data security, anti-competition, environmental, health and safety, insurance, and healthcare. There have been significant new regulations and/or heightened focus by the government and others in some of these areas, including, for example, consumer financial services and products, telemarketing, restrictive covenants, and labor, including overtime and exemption regulations, state and local laws on minimum wage, worker classification, and other labor-related issues.

The above requirements and business implications are subject to change and evolving application, including by means of new legislation, legislative changes, and/or executive orders, and there may be additional regulatory

actions or enforcement priorities, or new interpretations of existing requirements that differ from ours. These developments could impose unanticipated limitations or require changes to our business, which may make elements of our business more expensive, less efficient, or impossible to conduct, and may require us to modify our current or future services or products, which effects may be heightened given the nature, broad geographic scope, and seasonality of our business.

**We face legal actions in connection with our various business activities, and current or future legal actions may damage our reputation, impair our product offerings, or result in material liabilities and losses.**

We have been named, and from time to time will likely continue to be named, in various legal actions, including arbitrations, class or representative actions, actions or inquiries by state attorneys general and other regulators, and other litigation arising in connection with our various business activities, including relating to our various service and product offerings. For example, as previously reported, we are subject to litigation and have received and are responding to certain governmental inquiries relating to the IRS Free File program. These inquiries include requests for information and, in some cases, subpoenas from various regulators and state attorneys general. We cannot predict whether these legal actions could lead to further inquiries, further litigation, fines, injunctions or other regulatory or legislative actions or impacts on our brand, reputation and business. See discussion in [Item 8, note 12](#) to the consolidated financial statements for additional information.

**Failure to protect our intellectual property rights may harm our competitive position and litigation to protect our intellectual property rights or defend against third party allegations of infringement may be costly.**

Despite our efforts to protect our intellectual property and proprietary information, we may be unable to do so effectively in all cases. Our intellectual property could be wrongfully acquired as a result of a cyberattack, other wrongful conduct by employees or third parties, or human error. To the extent that our intellectual property is not protected effectively by trademarks, copyrights, patents, or other means, other parties with knowledge of our intellectual property, including former employees, may seek to exploit our intellectual property for their own or others' advantage. Competitors may also misappropriate our trademarks, copyrights or other intellectual property rights or duplicate our technology and products. Any significant impairment or misappropriation of our intellectual property or proprietary information could harm our business and our brand, and may adversely affect our ability to compete.

In addition, third parties may allege we are infringing their intellectual property rights, and we may face intellectual property challenges from other parties. We may not be successful in defending against any such challenges or in obtaining licenses to avoid or resolve any intellectual property disputes and, in that event, we could lose significant revenues, incur significant royalty or technology development expenses, suffer harm to our reputation, or pay significant monetary damages.

## **FINANCIAL RISKS**

**Our access to liquidity may be negatively impacted by disruptions in credit markets, by downgraded credit ratings, or by our failure to meet certain covenants. Our funding costs could increase, further impacting earnings.**

We need liquidity to meet our working capital requirements, to service debt obligations including refinancing of maturing obligations, and for general corporate purposes. Our operations are highly seasonal and substantially all of our revenues and cash flows are generated during the period from February through April in a typical year. Therefore, we normally require the use of cash to fund losses and working capital needs, periodically resulting in a working capital deficit, from May through January. We typically have relied on available cash balances from the prior tax season and borrowings to meet liquidity needs in our first three quarters. Events may occur that could increase our need for liquidity above current levels. We may need to obtain additional sources of funding to meet these needs, which may not be available or may only be available under unfavorable terms. In addition, if rating agencies downgrade our credit rating, the cost of debt under our existing financing arrangements, as well as future financing arrangements, could increase and our capital market access could decrease or become unavailable.

Our CLOC is subject to various covenants, and we previously obtained waivers from lenders under the CLOC for our non-compliance with the debt-to-EBITDA ratio covenant as of April 30, 2020 due to the impacts of the COVID-19 pandemic. However, there is no guarantee that our lenders would waive any future covenant violations.

If we violate this or other covenants in the CLOC in the future and are unable to obtain a waiver from our lenders, our debt under the CLOC would be in default and could be accelerated by our lenders. An acceleration of the indebtedness under the CLOC would cause a cross default under the indenture governing our Senior Notes. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

If current sources of liquidity were to become unavailable, we would need to obtain additional sources of funding, which may not be available or may only be available under less favorable terms. This could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**The continued payment of dividends on our common stock and repurchases of our common stock are dependent on a number of factors, and cannot be assured.**

We need liquidity sufficient to fund payments of dividends on our common stock and repurchases of our common stock. In addition, holders of our common stock are only entitled to receive such dividends, and the Company may repurchase shares, as our Board of Directors may authorize out of funds legally available for such payments. Due to the seasonal nature of our business and the fact that our business is not asset-intensive, we have had, and are likely to continue to have, a negative net worth under U.S. generally accepted accounting principles (GAAP) at various times throughout the year. Therefore, the payment of dividends or stock repurchases at such times would cause us to further increase that GAAP negative net worth.

The payment of future dividends and future repurchases will depend upon our earnings, economic conditions, liquidity and capital requirements, and other factors, including our debt leverage. Even if we have sufficient resources to pay dividends and to repurchase shares of our common stock, our Board of Directors may determine to use such resources to fund other Company initiatives. Accordingly, we cannot make any assurance that future dividends will be paid, or future repurchases will be made, at levels comparable to our historical practices, if at all.

**Changes in corporate tax laws or regulations, or in the interpretations of tax laws or regulations, could materially affect our financial condition, cash flows, and operating results.**

As a profitable multinational corporation, we are subject to a material amount of taxes in the U.S. and numerous foreign jurisdictions where our subsidiaries are organized and conduct their operations. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. The amount of tax due in various jurisdictions may change significantly as a result of political or economic factors beyond our control, including changes to tax laws or new interpretations of existing laws that are inconsistent with previous interpretations or positions taken by taxing authorities on which we have relied. For example, in 2017, the U.S. government enacted the Tax Cuts and Jobs Act (TCJA), which made broad and complex changes to the U.S. tax code. New regulatory guidance on the TCJA, or regulatory interpretations that differ from our existing interpretations, could materially affect our effective tax rates or value of deferred tax assets and liabilities. More recently, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Consolidated Appropriations Act (CAA), and the American Rescue Plan Act of 2021 (ARPA) were signed into law as a result of the COVID-19 pandemic. These laws include, among other items, provisions relating to refundable payroll tax credits, deferment of certain tax payments, modifications to the net interest deduction limitations, and expanded utilization periods for net operating losses. We continue to evaluate the impact of the CARES Act, CCA, and ARPA, and expect additional regulations, interpretations, and rulings may be forthcoming that could further impact our consolidated financial statements.

Legislatures and taxing authorities in jurisdictions in which we operate may propose additional changes to their tax rules in response to COVID-19, or as part of broader tax reformation initiatives. Recently, the current administration committed to increasing the corporate income tax rate from 21 percent to 28 percent, and to increasing the tax rate applied to profits earned outside the United States. If enacted, the impact of these potential new rules could be material to our tax provision and value of deferred tax assets and liabilities.

In addition, projects undertaken by international organizations may change international tax norms relating to each country's jurisdiction to tax cross-border international trade. Given the unpredictability of these and other possible changes to tax laws and related regulations, it is difficult to assess the overall effect of such potential

changes, but any such changes could, if adopted and applicable to us, adversely impact our effective tax rates and other tax liabilities.

Our tax returns and other tax matters are periodically examined by tax authorities and governmental bodies, including the IRS, which may disagree with positions taken by us in determining our tax liability. There can be no assurance as to the outcome of these examinations. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes.

If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our operating results, cash flows, and financial condition could be adversely affected.

#### **RISKS RELATING TO DISCONTINUED OPERATIONS**

**Sand Canyon Corporation, previously known as Option One Mortgage Corporation (including its subsidiaries, collectively, SCC) is subject to litigation and other claims, including potential contingent losses related to securitization transactions in which SCC participated, which may result in significant financial losses.**

Between January 2005 and November 2007, SCC originated mortgage loans totaling approximately \$80 billion. Mortgage loans originated by SCC were sold either as whole loans to single third-party buyers, who generally securitized such loans, or in the form of residential mortgage-backed securities (RMBSs). SCC estimates approximately 90% of the loans it originated in 2005, 2006, and 2007 were securitized in approximately 110 securitization transactions. Although SCC ceased its mortgage loan origination activities in December 2007 and sold its loan servicing business in April 2008, SCC has been, remains, and may in the future be, subject to litigation, claims, including indemnification and contribution claims, and other loss contingencies pertaining to SCC's mortgage business activities that occurred prior to such termination and sale. See [Item 8, note 12](#) to the consolidated financial statements for a description of litigation and other claims to which SCC may be subject.

If SCC were required to pay material amounts with respect to these matters, it could have a material adverse effect on our business and our consolidated financial position, results of operations and cash flows, as SCC's financial condition, results of operations, and cash flows are included in our consolidated financial statements.

**H&R Block guaranteed the payment of certain limited claims against SCC.**

SCC has been subject to representation and warranty claims by counterparties to SCC whole loan sales and securitization transactions, including certificate holders, securitization trustees, and subsequent purchasers of whole loans. In certain limited circumstances, H&R Block guaranteed payment if claims are successfully asserted by such counterparties.

In addition, as is customary in divestiture transactions, H&R Block guaranteed the payment of any indemnification claims from the purchaser of SCC's servicing business, including claims relating to pre-closing services (closing occurred in 2008).

**We could be subject to claims by the creditors of SCC.**

As discussed above, SCC is subject to representation and warranty claims, indemnification and contribution claims, and other claims and litigation related to its past sales and securitizations of mortgage loans. Additional claims and litigation may be asserted in the future. If the amount that SCC is ultimately required to pay with respect to these claims and litigation, together with related administration and legal expense, exceeds its net assets, the creditors of SCC, or a bankruptcy trustee if SCC were to file or be forced into bankruptcy, may attempt to assert claims against us for payment of SCC's obligations. Claimants have also attempted, and may in the future attempt, to assert claims or seek payment directly from the Company even if SCC's assets exceed its liabilities. SCC's principal assets, as of April 30, 2021, total approximately \$270 million and consist of an intercompany note receivable. We believe our legal position is strong on any potential corporate veil-piercing arguments; however, if this position is challenged and not upheld, it could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows. In addition, in certain limited instances, H&R Block guaranteed amounts as outlined in the above risk factor.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

Most of our tax offices are operated under leases throughout the U.S., Canada and Australia.

We own our corporate headquarters, which is located in Kansas City, Missouri. Our Canadian executive offices are located in a leased office in Calgary, Alberta. Our Australian executive offices are located in a leased office in Thornleigh, New South Wales. Wave's headquarters are located in a leased office in Toronto, Ontario.

All current leased and owned facilities are in reasonably good repair and adequate to meet our needs.

## ITEM 3. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, see discussion in [Item 8, note 12](#) to the consolidated financial statements.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

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

**MARKET INFORMATION AND HOLDERS** – H&R Block's common stock is traded on the New York Stock Exchange (NYSE) under the symbol HRB. On May 28, 2021, there were 13,993 shareholders of record and the closing stock price on the NYSE was \$24.82 per share.

**DIVIDENDS** – Although we have historically paid dividends and plan to continue to do so, there can be no assurances that circumstances will not change in the future that could affect our ability or decisions to pay dividends.

**PURCHASES OF EQUITY SECURITIES BY THE ISSUER** – A summary of our purchases of H&R Block common stock during the fourth quarter of fiscal year 2021 is as follows:

(in 000s, except per share amounts)

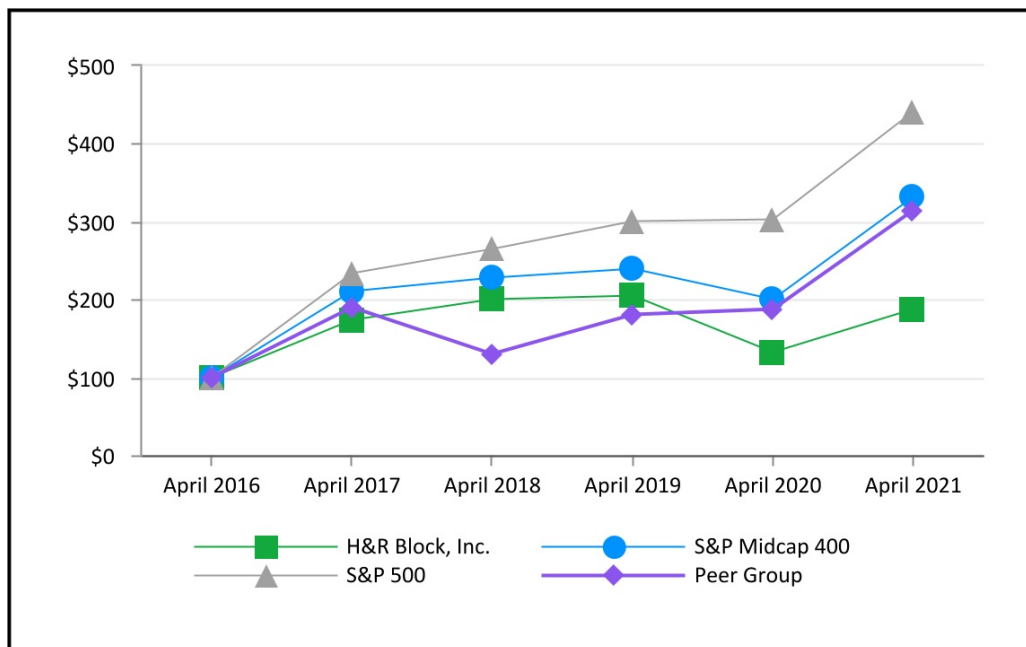
	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Dollar Value of Shares that May be Purchased Under the Plans or Programs <sup>(2)</sup>
February 1 – February 28	2,065	\$ 18.43	2,064	\$ 563,797
March 1 – March 31	1	\$ 19.77	—	\$ 563,797
April 1 – April 30	1	\$ 22.28	—	\$ 563,797
	2,067	\$ 18.43	2,064	

<sup>(1)</sup> We purchased approximately 3 thousand shares in connection with funding employee income tax withholding obligations arising upon the lapse of restrictions on restricted share units.

<sup>(2)</sup> In September 2015, we announced that our Board of Directors approved a \$3.5 billion share repurchase program, effective through June 2019. In June 2019, our Board of Directors extended the share repurchase program through June 2022.

**PERFORMANCE GRAPH** – The following graph compares the cumulative five-year total return provided to shareholders of H&R Block, Inc.'s common stock relative to the cumulative total returns of the S&P Midcap 400 index, the S&P 500 index, and a selected peer group. The peer group used is based on companies with similar market capitalization or public companies in the tax return preparation industry. In fiscal year 2021 we began measuring the Company's relative performance against the S&P Midcap 400 index, of which the Company is included. We compared against the S&P 500 in previous years and have included it in the graph below for comparison purposes only.

An investment of \$100, with reinvestment of all dividends, is assumed to have been made in our common stock and in each of the indexes on April 30, 2016, and its relative performance is tracked through April 30, 2021.



Note: The peer group includes the following companies: Intuit Inc., Blucora, Inc., Liberty Tax, Inc., ICF International, Inc., CBIZ, Inc., Resources Connection, Inc., Willis Towers Watson PLC, Navigant Consulting, Inc., and Huron Consulting Group Inc.

## ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FINANCIAL OVERVIEW

With the economic impact of the pandemic being felt across the U.S., we remain committed to helping people gain access to their refunds while shifting how we operate to help promote the safety and well-being of associates and clients. We continue to provide in-person appointments and have implemented safety protocols in our tax offices pursuant to applicable state and local orders and consistent with Centers for Disease Control and Prevention recommendations. Clients may also choose to drop-off at one of our locations nationwide, to file with a tax professional virtually, or to utilize one of our DIY or software tax return preparation solutions.

As a result of the COVID-19 pandemic, on March 21, 2020, the federal tax filing deadline in the U.S. for individual 2019 tax returns was extended from April 15, 2020 to July 15, 2020, and substantially all U.S. states with an April 15 individual state income tax filing requirement extended their respective deadlines. In Canada, the deadline for individuals to file was extended to June 1, 2020. In addition, governments around the world took a variety of actions to contain the spread of COVID-19. Jurisdictions in which we operate imposed various restrictions on our business, including capacity and other operational limitations, social distancing requirements, and in limited instances required us to close certain offices. Consequently, a portion of revenues and expenses that would have normally been recognized in our fourth quarter of fiscal year 2020 shifted to the first two quarters of fiscal year 2021.

On March 17, 2021, the IRS extended the federal tax filing deadline in the U.S. for individual 2020 tax returns from April 15, 2021 to May 17, 2021. Consequently, a portion of revenues and expenses that would have normally been recognized in our fourth quarter of fiscal year 2021 shifted to our next fiscal period.

These events have impacted the typical seasonality of our business and the comparability of our financial results.

#### Fiscal Year 2021 Compared to 2020

Revenues		Operating Expenses		Net Income from Continuing Operations	
\$3.41B	↑ 29%	\$2.64B	↑ 3%	\$590.2M	↑ 9,488%
Increase is due to the extension of tax season 2020 and higher tax preparation volume in tax season 2021.		Increase is due to compensation expense related to higher tax return volume, partially offset by prior year goodwill impairment.		Increase is due to higher revenues, partially offset by operating expenses and tax expense.	
Diluted EPS From Continuing Operations			EBITDA <sup>(1)</sup>		
Reported:			Reported:		
\$3.11	↑ 10,267%		\$932.5M	↑ 256%	
Adjusted <sup>(1)</sup> :			Adjusted:		
\$3.39	↑ 304%		\$932.5M	↑ 153%	
Increase is due to higher net income combined with lower outstanding shares in the current year.			Increase is due to the higher revenues. Increase in Adjusted EBITDA is partially offset by prior year goodwill impairment.		

<sup>(1)</sup> See "Non-GAAP Financial Information" section within this filing for a reconciliation of non-GAAP measures.

### RESULTS OF OPERATIONS

Our subsidiaries provide assisted and DIY tax preparation solutions through multiple channels (including in-person, online and mobile applications, virtual, and desktop software) and distribute H&R Block-branded products and



services, including those of our bank partner, to the general public primarily in the U.S., Canada and Australia. Tax returns are either prepared by H&R Block tax professionals (in company-owned or franchise offices, virtually or via an internet review) or prepared and filed by our clients through our DIY tax solutions. We also offer small business financial solutions through our company-owned and franchise offices and online through Wave. We report a single segment that includes all of our continuing operations.

#### Operating Statistics

Year ended April 30,	2021	2020	% Change Better/ (Worse)
	Represents two partial tax seasons <sup>(1)</sup>	Represents a partial tax season <sup>(2)</sup>	
<b>TAX RETURNS PREPARED : (in 000s) <sup>(3)</sup></b>			
United States:			
Company-owned operations	9,120	6,745	35.2 %
Franchise operations	3,507	2,798	25.3 %
Total assisted	12,627	9,543	32.3 %
Desktop	2,002	1,553	28.9 %
Online	6,976	5,932	17.6 %
Total DIY	8,978	7,485	19.9 %
Total U.S. returns	21,605	17,028	26.9 %
International operations:			
Canada	2,901	1,908	52.0 %
Australia	672	745	(9.8)%
Other	—	73	**
Total international operations returns	3,573	2,726	31.1 %
Tax returns prepared worldwide	25,178	19,754	27.5 %
<b>NET AVERAGE CHARGE (U.S. ONLY): <sup>(4)</sup></b>			
Company-owned operations	\$ 223.14	\$ 227.83	(2.1)%
Franchise operations <sup>(5)</sup>	\$ 211.27	\$ 217.07	(2.7)%
DIY	\$ 34.87	\$ 27.91	24.9 %
<b>TAX OFFICES (as of January 31):</b>			
U.S. offices:			
Company-owned offices	6,512	6,552	(0.6)%
Franchise offices	2,759	2,909	(5.2)%
Total U.S. offices	9,271	9,461	(2.0)%
International offices:			
Canada	983	1,086	(9.5)%
Australia	421	464	(9.3)%
Total international offices	1,404	1,550	(9.4)%
Tax offices worldwide	10,675	11,011	(3.1)%

<sup>(1)</sup> Represents a partial 2019 individual tax filing season, which was extended until July 15, 2020 and a partial 2020 individual tax filing season, which was extended until May 17, 2021.

<sup>(2)</sup> Represents a partial 2019 individual tax filing season, which was extended until July 15, 2020.

<sup>(3)</sup> An assisted tax return is defined as a current or prior year individual or business tax return that has been accepted by the client. A DIY online return is defined as a current year individual or business tax return that has been accepted by the client. A DIY desktop return is defined as a current year individual or business tax return that has been electronically submitted to the IRS.

<sup>(4)</sup> Net average charge is calculated as total tax preparation fees divided by tax returns prepared.

<sup>(5)</sup> Net average charge related to H&R Block Franchise operations represents tax preparation fees collected by H&R Block franchisees divided by returns prepared in franchise offices. H&R Block will recognize a portion of franchise revenues as franchise royalties based on the terms of franchise agreements.

We provide Net Average Charge as a key operating metric because we consider it an important supplemental measure useful to analysts, investors, and other interested parties as it provides insights into pricing and tax return mix relative to our customer base, which are significant drivers of revenue. Our definition of Net Average Charge may not be comparable to similarly titled measures of other companies.

**Consolidated – Financial Results**

(in 000s, except per share amounts)

Year ended April 30,	2021	2020	\$ Change Better/(Worse)	% Change Better/(Worse)
<b>Revenues:</b>				
U.S. assisted tax preparation	\$ 2,035,107	\$ 1,533,303	\$ 501,804	32.7 %
U.S. royalties	226,253	193,411	32,842	17.0 %
U.S. DIY tax preparation	313,055	208,901	104,154	49.9 %
International	249,868	180,065	69,803	38.8 %
Refund Transfers	163,329	154,687	8,642	5.6 %
Emerald Card®	136,717	92,737	43,980	47.4 %
Peace of Mind® Extended Service Plan	98,882	105,185	(6,303)	(6.0)%
Tax Identity Shield®	40,624	31,797	8,827	27.8 %
Interest and fee income on Emerald Advance <sup>SM</sup>	53,430	60,867	(7,437)	(12.2)%
Wave	58,277	36,711	21,566	58.7 %
Other	38,445	42,056	(3,611)	(8.6)%
<b>Total revenues</b>	<b>3,413,987</b>	<b>2,639,720</b>	<b>774,267</b>	<b>29.3 %</b>
<b>Compensation and benefits:</b>				
Field wages	797,262	678,813	(118,449)	(17.4)%
Other wages	272,664	218,548	(54,116)	(24.8)%
Benefits and other compensation	208,147	175,535	(32,612)	(18.6)%
	<b>1,278,073</b>	<b>1,072,896</b>	<b>(205,177)</b>	<b>(19.1)%</b>
Occupancy	414,389	410,402	(3,987)	(1.0)%
Marketing and advertising	261,960	255,094	(6,866)	(2.7)%
Depreciation and amortization	156,852	169,536	12,684	7.5 %
Bad debt	78,763	77,470	(1,293)	(1.7)%
Impairment of goodwill	—	106,000	106,000	100.0 %
Other	454,323	471,239	16,916	3.6 %
<b>Total operating expenses</b>	<b>2,644,360</b>	<b>2,562,637</b>	<b>(81,723)</b>	<b>(3.2)%</b>
Other income (expense), net	5,979	15,637	(9,658)	(61.8)%
Interest expense on borrowings	(106,870)	(96,094)	(10,776)	(11.2)%
Income (loss) from continuing operations before income taxes (benefit)	668,736	(3,374)	672,110	**
Income taxes (benefit)	78,524	(9,530)	(88,054)	**
Net income from continuing operations	590,212	6,156	584,056	9,487.6 %
Net loss from discontinued operations	(6,421)	(13,682)	7,261	53.1 %
Net income (loss)	\$ 583,791	\$ (7,526)	\$ 591,317	**
<b>Basic earnings (loss) per share:</b>				
Continuing operations	\$ 3.15	\$ 0.03	\$ 3.12	10,400.0 %
Discontinued operations	(0.04)	(0.07)	0.03	42.9 %
Consolidated	\$ 3.11	\$ (0.04)	\$ 3.15	**
<b>Diluted earnings (loss) per share:</b>				
Continuing operations	\$ 3.11	\$ 0.03	\$ 3.08	10,266.7 %
Discontinued operations	(0.03)	(0.07)	0.04	57.1 %
Consolidated	\$ 3.08	\$ (0.04)	\$ 3.12	**
Adjusted diluted EPS <sup>(1)</sup>	\$ 3.39	\$ 0.84	\$ 2.55	303.6 %
EBITDA <sup>(1)</sup>	932,458	262,256	670,202	255.6 %
Adjusted EBITDA <sup>(1)</sup>	932,458	368,256	564,202	153.2 %
Adjusted EBITDA margin <sup>(1)</sup>	27.3 %	14.0 %	13.3 %	95.0 %

<sup>(1)</sup> All non-GAAP measures are results from continuing operations. See "Non-GAAP Financial Information" at the end of this item for a reconciliation of non-GAAP measures.

## FISCAL 2021 COMPARED TO FISCAL 2020

Due to the extension of the 2020 tax season related to the COVID-19 pandemic, we had significant increases in the number of tax returns prepared in all categories during the first half of fiscal year 2021. Additionally, while the 2021 tax season filing deadline was also extended, we prepared more tax returns through April 30 than we did in the prior fiscal year. As a result of these increases in volume during the fiscal year, U.S. assisted and DIY tax preparation revenues and royalties increased compared to the prior year.

International revenues increased \$69.8 million, or 38.8%, due to higher tax returns prepared by our Canadian operations primarily due to the extension of the 2020 tax season and favorable foreign currency exchange rates. Emerald Card® revenues increased \$44.0 million, or 47.4%, due to higher card activity from an increase in tax refunds loaded on to cards, as well as some Economic Impact Payments loaded on to cards. Wave revenues increased \$21.6 million, or 58.7%, due to higher small business payment processing volumes over the prior year as small business owners shift to online payment options and an additional two months of revenue in the current year, as we acquired Wave on June 28, 2019.

Total operating expenses increased \$81.7 million or 3.2% from the prior year. Field wages increased \$118.4 million, or 17.4%, due to higher tax preparation volumes. Other wages increased \$54.1 million, or 24.8%, due primarily to higher bonus accruals. Benefits and other compensation increased \$32.6 million, or 18.6%, primarily due to higher payroll taxes as a result of higher wages. Depreciation and amortization expense decreased \$12.7 million, or 7.5%, due to lower depreciation on leasehold improvements and lower amortization of acquired intangibles. Additionally, we recorded an impairment of goodwill of \$106.0 million related to Wave in the prior year.

Other operating expenses decreased \$16.9 million, or 3.6%. The components of other expenses are as follows:

Year ended April 30,	2021	2020	\$ Change Better/(Worse)	% Change Better/(Worse)
Consulting and outsourced services	\$ 127,262	\$ 118,267	\$ (8,995)	(7.6)%
Bank partner fees	23,681	55,633	31,952	57.4 %
Client claims and refunds	28,756	35,498	6,742	19.0 %
Employee travel and related expenses	21,704	40,892	19,188	46.9 %
Technology-related expenses	80,766	68,907	(11,859)	(17.2)%
Credit card/bank charges	81,154	48,826	(32,328)	(66.2)%
Insurance	11,420	15,015	3,595	23.9 %
Legal fees and settlements	22,172	27,436	5,264	19.2 %
Supplies	31,843	31,290	(553)	(1.8)%
Other	25,565	29,475	3,910	13.3 %
	<b>\$ 454,323</b>	<b>\$ 471,239</b>	<b>\$ 16,916</b>	<b>3.6 %</b>

Bank partner fees decreased \$32.0 million, or 57.4%, due to lower RA and RT volumes, lower fees paid to our bank partner, and lower accruals for our RA credit loss guarantees. Employee travel and related expenses decreased \$19.2 million, or 46.9%, due to COVID-19 travel restrictions. Technology-related expenses increased \$11.9 million, or 17.2%, due to increased investments in information technology. Credit card and bank charges increased \$32.3 million, or 66.2%, as a result of higher transaction volumes for assisted and DIY tax preparation, higher Wave payment processing fees and fees related to the Emerald Card®.

We prepared 2.9 million U.S. assisted and DIY returns from May 1, 2021 to May 18, 2021 due to the extension of the current tax season.

Losses of our discontinued mortgage operations are primarily related to legal expenses which are lower in the current year. See the discussion of the risk of contingent losses related to our discontinued operations in [Item 1A, Risk Factors](#) and in [Item 8, note 12](#) to the consolidated financial statements.

## FISCAL 2020 COMPARED TO FISCAL 2019

The comparison of fiscal year 2020 to 2019 has been omitted from this Form 10-K, but can be found in our Form 10-K for the fiscal year ended April 30, 2020, filed on June 16, 2020.

## FINANCIAL CONDITION

These comments should be read in conjunction with the consolidated balance sheets and consolidated statements of cash flows included in [Item 8](#).

### CAPITAL RESOURCES AND LIQUIDITY –

**OVERVIEW** – Our primary sources of capital and liquidity include cash from operations (including changes in working capital), draws on our CLOC, and issuances of debt. We use our sources of liquidity primarily to fund working capital, service and repay debt, pay dividends, repurchase shares of our common stock, and acquire businesses.

Our operations are highly seasonal and substantially all of our revenues and cash flow are generated during the period from February through April in a typical year. Therefore, we normally require the use of cash to fund losses and working capital needs, periodically resulting in a working capital deficit, from May through January. We typically have relied on available cash balances from the prior tax season and borrowings to meet liquidity needs in our first three quarters.

Given the likely availability of a number of liquidity options discussed herein, we believe that in the absence of any unexpected developments, our existing sources of capital as of April 30, 2021 are sufficient to meet our future operating and financing needs.

**DISCUSSION OF CONSOLIDATED STATEMENTS OF CASH FLOWS** – The following table summarizes our statements of cash flows for fiscal years 2021 and 2020. See [Item 8](#) for the complete consolidated statements of cash flows for these periods.

	(in 000s)	
Year ended April 30,	2021	2020
Net cash provided by (used in):		
Operating activities	\$ 625,928	\$ 108,961
Investing activities	(45,523)	(470,231)
Financing activities	(2,408,823)	1,531,848
Effects of exchange rate changes on cash	18,318	(5,285)
Net change in cash and cash equivalents	\$ (1,810,100)	\$ 1,165,293

**Operating Activities.** Cash provided by operating activities increased \$517.0 million from fiscal year 2020. The increase is primarily due to net income in the current year compared to a net loss in the prior year.

**Investing Activities.** Cash used in investing activities totaled \$45.5 million compared to \$470.2 million in the prior year. The decrease is primarily due to the acquisition of Wave in the prior year.

**Financing Activities.** Cash used in financing activities totaled \$2.4 billion compared to cash provided of \$1.5 billion in the prior year, the change is primarily due to a \$2.0 billion draw on our CLOC in the prior year which was paid off in the current year.

### CASH REQUIREMENTS –

**Dividends and Share Repurchase.** Returning capital to shareholders in the form of dividends and the repurchase of outstanding shares has historically been a significant component of our capital allocation plan.

We have consistently paid quarterly dividends. Dividends paid totaled \$195.1 million and \$204.9 million in fiscal years 2021 and 2020, respectively. Although we have historically paid dividends and plan to continue to do so, there can be no assurances that circumstances will not change in the future that could affect our ability or decisions to pay dividends.

Our current share repurchase program has remaining authorization of \$563.8 million which is effective through June 2022. As a part of the repurchase program, in the current year, we purchased \$188.2 million of our common stock at an average price of \$16.29 per share.

Share repurchases may be effectuated through open market transactions, some of which may be effectuated under SEC Rule 10b5-1. The Company may cancel, suspend, or extend the time period for the purchase of shares at any time. Any repurchases will be funded primarily through available cash and cash from operations. Although we may continue to repurchase shares, there is no assurance that we will purchase up to the full Board authorization.

The following table summarizes our shares outstanding, shares repurchased, and annual dividends per share:

						(in 000s, except per share amounts)					
As of April 30,	2021		2020		2019		2018		2017		
Shares outstanding	181,466		192,475		201,959		209,254		207,171		
Shares Repurchased	11,551		10,130		7,862		—		14,020		
Dividends per share	\$	1.04	\$	1.04	\$	1.00	\$	0.96	\$	0.88	

**Capital Investment.** Capital expenditures totaled \$52.8 million and \$81.7 million in fiscal years 2021 and 2020, respectively. Our capital expenditures relate primarily to recurring improvements to retail offices, as well as investments in computers, software and related assets. In addition to our capital expenditures, we also made payments to acquire businesses. We acquired franchise and competitor businesses totaling \$15.6 million during the year ended April 30, 2021, compared to \$450.2 million for the year ended April 30, 2020, which also includes the acquisition of Wave. See [Item 8, note 6](#) for additional information on our acquisitions.

**Contractual Obligations.** We are party to many contractual obligations involving commitments to make payments to third parties, which impact our short-term and long-term liquidity and capital resource needs. Our contractual obligations primarily consist of operating leases, contingent acquisition payments, and long-term debt and related interest payments. See [Item 8, note 7, 10,](#) and [11](#) to the consolidated financial statements for additional information.

**FINANCING RESOURCES** – In the fourth quarter of fiscal year 2020, we drew down the full \$2.0 billion available under our CLOC to increase our cash position and maximize flexibility in light of the uncertainty surrounding the impact of the COVID-19 pandemic, which we repaid in full in September 2020. We had no outstanding balance under the CLOC as of April 30, 2021.

On August 7, 2020, we issued \$650.0 million of 3.875% Senior Notes due August 15, 2030 (2030 Senior Notes). We used the net proceeds from the 2030 Senior Notes to repay our \$650 million Senior Notes that matured on October 1, 2020.

See [Item 8, note 7](#) to the consolidated financial statements for discussion of our CLOC and Senior Notes and [note 13](#) for discussion of an amendment to our CLOC effective June 11, 2021.

The following table provides ratings for debt issued by Block Financial LLC (Block Financial) as of April 30, 2021 and 2020:

As of	April 30, 2021			April 30, 2020		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Moody's	P-3	Baa3	Stable	P-3	Baa3	Negative
S&P	A-2	BBB	Negative	A-2	BBB	Negative

**CASH AND OTHER ASSETS** – As of April 30, 2021, we held cash and cash equivalents, excluding restricted amounts, of \$934.3 million, including \$157.8 million held by our foreign subsidiaries.

**Foreign Operations.** Seasonal borrowing needs of our Canadian operations are typically funded by our U.S. operations. To mitigate foreign currency risk, we sometimes enter into foreign exchange forward contracts. There were no forward contracts outstanding as of April 30, 2021.

We do not currently intend to repatriate non-borrowed funds held by our foreign subsidiaries in a manner that would trigger a material tax liability.

The impact of changes in foreign exchange rates during the period on our international cash balances resulted in an increase of \$18.3 million during fiscal year 2021 compared to a decrease of \$5.3 million in fiscal year 2020.

**SUMMARIZED GUARANTOR FINANCIAL STATEMENTS** – Block Financial is a 100% owned indirect subsidiary of H&R Block, Inc. Block Financial is the Issuer and H&R Block, Inc. is the full and unconditional Guarantor of our Senior Notes, CLOC and other indebtedness issued from time to time.

The following table presents summarized financial information for H&R Block, Inc. (Guarantor) and Block Financial (Issuer) on a combined basis after intercompany eliminations and excludes investments in and equity earnings in non-guarantor subsidiaries.

<b>SUMMARIZED BALANCE SHEET</b>		(in 000s)
As of April 30, 2021		<b>GUARANTOR AND ISSUER</b>
Current assets	\$	<b>49,615</b>
Noncurrent assets		<b>1,664,311</b>
Current liabilities		<b>38,471</b>
Noncurrent liabilities		<b>1,500,970</b>

<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>		(in 000s)
Year ended April 30, 2021		<b>GUARANTOR AND ISSUER</b>
Total revenues	\$	<b>228,097</b>
Income from continuing operations before income taxes		<b>49,705</b>
Net income from continuing operations		<b>45,133</b>
Net income		<b>38,625</b>

The table above reflects \$1.6 billion of non-current intercompany receivables due to the Issuer from non-guarantor subsidiaries.

### CRITICAL ACCOUNTING ESTIMATES

We consider the estimates discussed below to be critical to understanding our financial statements, as they require the use of significant judgment and estimation in order to measure, at a specific point in time, matters that are inherently uncertain. Specific methods and assumptions for these critical accounting estimates are described in the following paragraphs. We have reviewed and discussed each of these estimates with the Audit Committee of our Board of Directors. For all of these estimates, we caution that future events rarely develop precisely as forecasted and estimates routinely require adjustment and may require material adjustment.

See [Item 8, note 1](#) to the consolidated financial statements for discussion of our significant accounting policies.

### LITIGATION AND OTHER RELATED CONTINGENCIES –

**Nature of Estimates Required.** We accrue liabilities related to certain legal matters for which we believe it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated. Assessing the likely outcome of pending or threatened litigation, indemnification and contribution claims, and other related loss contingencies, including the amount of potential loss, if any, is highly subjective.

**Assumptions and Approach Used.** We are subject to pending or threatened litigation claims and claims for indemnification and contribution, and other related loss contingencies, which are described in [Item 8, note 12](#) to the consolidated financial statements. It is our policy to routinely assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the liability required to be accrued, if any, for these contingencies is made after analysis of each known issue and an analysis of historical experience. In cases where we have concluded that a loss is only reasonably possible or remote, or is not reasonably estimable, no liability is accrued.

**Sensitivity of Estimate to Change.** It is reasonably possible that future litigation and other related loss contingencies may vary from the amounts accrued. Our estimate of the aggregate range of reasonably possible losses includes (1) matters where a liability has been accrued and there is a reasonably possible loss in excess of the amount accrued for that liability, and (2) matters where a liability has not been accrued but we believe a loss is reasonably possible. This aggregate range represents only those losses as to which we are currently able to

estimate a reasonably possible loss or range of loss. It does not represent our maximum loss exposure. As of April 30, 2021, we believe the estimate of the aggregate range of reasonably possible losses in excess of amounts accrued, where the range of loss can be estimated, was not material.

However, our judgments on whether a loss is probable, reasonably possible, or remote, and our estimates of probable loss amounts may differ from actual results due to difficulties in predicting changes in, or interpretations of, laws, predicting the outcome of jury trials, arbitration hearings, settlement discussions and related activity, predicting the outcome of class certification actions, and numerous other uncertainties. Due to the number of claims which are periodically asserted against us, and the magnitude of damages sought in those claims, actual losses in the future may significantly differ from our current estimates.

Our accrued liabilities for litigation and other related contingencies are disclosed in [Item 8, note 12](#) to the consolidated financial statements.

#### **INCOME TAXES – UNCERTAIN TAX POSITIONS –**

**Nature of Estimates Required.** The income tax laws of jurisdictions in which we operate are complex and subject to different interpretations by the taxpayer and applicable government taxing authorities. Income tax returns filed by us are based on our interpretation of these rules. The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which may result in proposed assessments, including interest or penalties. We accrue a liability for unrecognized tax benefits arising from uncertain tax positions reflecting our judgment as to the ultimate resolution of the applicable issues.

**Assumptions and Approach Used.** Differences between a tax position taken or expected to be taken in our tax returns and the amount of benefit recorded in our financial statements result in unrecognized tax benefits. Unrecognized tax benefits are recorded in the balance sheet as either a liability or reductions to recorded tax assets as applicable. Our uncertain tax positions arise from items such as apportionment of income for state purposes, transfer pricing, and the deductibility of related party transactions. We evaluate each uncertain tax position based on its technical merits. For each position, we consider all applicable information including relevant tax laws, the taxing authorities' potential position, our tax return position, and the possible settlement outcomes to determine the amount of liability to record. In making this determination, we assume the tax authority has all relevant information at its disposal.

**Sensitivity of Estimate to Change.** Our assessment of the technical merits and measurement of tax benefits associated with uncertain tax positions is subject to a high degree of judgment and estimation. Actual results may differ from our current judgments due to a variety of factors, including changes in law, interpretations of law by taxing authorities that differ from our assessments, changes in the jurisdictions in which we operate and results of routine tax examinations. We believe we have adequately provided for any reasonably foreseeable outcome related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, or when statutes of limitation on potential assessments expire. As a result, our effective tax rate may fluctuate on a quarterly basis.

A schedule of changes in our uncertain tax positions during the last three years is included in [Item 8, note 9](#) to the consolidated financial statements.

#### **GOODWILL –**

**Nature of Estimates Required.** We test goodwill for impairment annually in the fourth quarter or more frequently if events occur or circumstances change which would, more likely than not, reduce the fair value of a reporting unit below its carrying value. Our goodwill impairment analysis utilizes both the income and market approaches, which includes revenue and expense forecasts, changes in working capital and selection of a discount rate, all of which are highly subjective.

**Assumptions and Approach Used.** Our goodwill impairment analysis is performed at the reporting unit level. Our valuation methods include a discounted cash flow model for the income approach and the guideline public company and market capitalization methods for the market approach. The income approach requires significant management judgment with respect to revenue and expense forecasts, anticipated changes in working capital and selection of an appropriate discount rate. Changes in projections or assumptions could materially affect our estimate of reporting unit fair values. The use of different assumptions could increase or decrease estimated



discounted future operating cash flows and could affect our conclusion regarding the existence or amount of potential impairment.

**Sensitivity of Estimate to Change.** Estimates of fair value may be adversely impacted by declining economic conditions and changes in the industries and markets in which we operate. Additionally, if future operating results of our reporting units are below our current modeled expectations, fair value estimates may decline. Any of these factors could result in future impairments, and those impairments could be significant.

A schedule of changes in our goodwill balances, including any impairment charges, is included in [Item 8, note 6](#) to the consolidated financial statements.

## NEW ACCOUNTING PRONOUNCEMENTS

See [Item 8, note 1](#) to the consolidated financial statements for any recently issued accounting pronouncements.

## REGULATORY ENVIRONMENT

The federal government, various state, local, provincial and foreign governments, and some self-regulatory organizations have enacted statutes and ordinances, or adopted rules and regulations, regulating aspects of our business. These aspects include, but are not limited to, commercial income tax return preparers, income tax courses, the electronic filing of income tax returns, the offering of RTs, privacy and data security, consumer protection, marketing and advertising, franchising, antitrust and competition, sales methods and banking. We work to comply with those laws that are applicable to us or our services or products, and we continue to monitor developments in the regulatory environment in which we operate. See further discussion of these items in our [Item 1A. Risk Factors under "Legal and Regulatory Risks"](#) of this Form 10-K.

On November 17, 2017, the CFPB published its final rule changing the regulation of certain consumer credit products, including payday loans, vehicle title loans, and high-cost installment loans (Payday Rule). Certain limited provisions of the Payday Rule became effective on January 16, 2018, but most provisions were scheduled to go into effect on August 19, 2019. On November 6, 2018, a judge from the U.S. District Court for the Western District of Texas issued a stay of the August 19, 2019 compliance date, which stay remains in effect until further notice from the Court. On July 7, 2020, the CFPB issued a final rule revoking the mandatory underwriting provisions of the Payday Rule.

Given these developments and the recent change in administration, we are unsure whether, when, or in what form the Payday Rule will go into effect. The timing to resolve the litigation is unclear. We do not currently expect the Payday Rule to have a material adverse impact on the Emerald Advance<sup>SM</sup> product, our business, or our consolidated financial position, results of operations, and cash flows. We will continue to monitor and analyze the potential impact of any further Payday Rule developments on the Company.

From time to time, we receive inquiries from governmental authorities regarding the applicability of laws to our services and products and other matters relating to our business. We cannot predict what effect future laws, changes in interpretations of existing laws or the results of future governmental inquiries with respect to services and products or other matters relating to our business may have on our consolidated financial position, results of operations and cash flows. We have received certain governmental inquiries relating to the IRS Free File Program. We may also be subject to future inquiries or other proceedings regarding this program or other aspects of our business. Regulatory inquiries may result in us incurring additional expense, diversion of management's attention, adverse judgments, settlements, fines, penalties, injunctions or other relief. See additional discussion of legal matters in [Item 8, note 12](#) to the consolidated financial statements.

## NON-GAAP FINANCIAL INFORMATION

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. Because these measures are not measures of financial performance under GAAP and are susceptible to varying calculations, they may not be comparable to similarly titled measures for other companies.

We consider our non-GAAP financial measures to be performance measures and a useful metric for management and investors to evaluate and compare the ongoing operating performance of our business. We make adjustments for certain non-GAAP financial measures related to amortization of intangibles from acquisitions



and goodwill impairments. We may consider whether other significant items that arise in the future should be excluded from our non-GAAP financial measures.

We measure the performance of our business using a variety of metrics, including earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations, adjusted EBITDA from continuing operations, EBITDA margin from continuing operations, adjusted EBITDA margin from continuing operations, adjusted diluted earnings per share from continuing operations and free cash flow. We also use EBITDA from continuing operations and pretax income of continuing operations, each subject to permitted adjustments, as performance metrics in incentive compensation calculations for our employees.

The following is a reconciliation of net income (loss) to EBITDA from continuing operations and adjusted EBITDA from continuing operations, which are non-GAAP financial measures:

Year ended April 30,	(in 000s)	
	2021	2020
Net income (loss) - as reported	\$ 583,791	\$ (7,526)
Discontinued operations, net	6,421	13,682
Net income from continuing operations - as reported	590,212	6,156
Add back:		
Income taxes (benefit)	78,524	(9,530)
Interest expense	106,870	96,094
Depreciation and amortization	156,852	169,536
	342,246	256,100
EBITDA from continuing operations	\$ 932,458	\$ 262,256
Adjustments:		
Impairment of goodwill	—	106,000
Adjusted EBITDA from continuing operations	\$ 932,458	\$ 368,256
EBITDA margin from continuing operations <sup>(1)</sup>	27.3 %	9.9 %
Adjusted EBITDA margin from continuing operations <sup>(2)</sup>	27.3 %	14.0 %

<sup>(1)</sup> EBITDA margin from continuing operations is computed as EBITDA from continuing operations divided by revenues from continuing operations.

<sup>(2)</sup> Adjusted EBITDA margin from continuing operations is computed as adjusted EBITDA from continuing operations divided by revenues from continuing operations.

The following is a reconciliation of our results from continuing operations to our adjusted results from continuing operations, which are non-GAAP financial measures:

Year ended April 30,	(in 000s, except per share amounts)	
	2021	2020
Net income from continuing operations - as reported	\$ 590,212	\$ 6,156
Adjustments:		
Amortization of intangibles related to acquisitions (pretax)	68,387	74,561
Impairment of goodwill (pretax)	—	106,000
Tax effect of adjustments <sup>(1)</sup>	(15,884)	(19,126)
Adjusted net income from continuing operations	\$ 642,715	\$ 167,591
Diluted earnings per share from continuing operations - as reported	\$ 3.11	\$ 0.03
Adjustments, net of tax	0.28	0.81
Adjusted diluted earnings per share from continuing operations	\$ 3.39	\$ 0.84

<sup>(1)</sup> The tax effect of adjustments is the difference between the tax provision calculation on a GAAP basis and on an adjusted non-GAAP basis.

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

### INTEREST RATE RISK

**GENERAL** – We have a formal investment policy that strives to minimize the market risk exposure of our cash equivalents, which are primarily affected by credit quality and movements in interest rates. The guidelines in our investment policy focus on managing liquidity and preserving principal and earnings.

Our cash equivalents are primarily held for liquidity purposes and are comprised of high quality, short-term investments, including money market funds. Because our cash and cash equivalents have a short maturity, our portfolio's market value is relatively insensitive to interest rate changes.

As our CLOC borrowings are generally seasonal, interest rate risk typically increases during the months of November through March. While the market value of our CLOC borrowings is relatively insensitive to interest rate changes, interest expense on CLOC borrowings will increase and decrease with changes in the underlying short-term interest rates. We had no outstanding balance on our CLOC as of April 30, 2021.

Our long-term debt as of April 30, 2021, consists primarily of fixed-rate Senior Notes; therefore, a change in interest rates would have no impact on consolidated pretax earnings until these notes mature or are refinanced. The fixed-rate interest payable on our Senior Notes is subject to adjustment based upon our credit ratings. See [Item 8, note 7](#) to the consolidated financial statements.

### FOREIGN EXCHANGE RATE RISK

Our operations in international markets are exposed to movements in currency exchange rates. The currencies primarily involved are the Canadian dollar and the Australian dollar. We translate revenues and expenses related to these operations at the average of exchange rates in effect during the period. Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates at the end of the year. Translation adjustments are recorded as a separate component of other comprehensive income in stockholders' equity. Translation of financial results into U.S. dollars does not presently materially affect, and has not historically materially affected, our consolidated financial results, although such changes do affect the year-to-year comparability of the operating results in U.S. dollars of our international businesses. The impact of changes in foreign exchange rates during the period on our international cash balances resulted in an increase of \$18.3 million during fiscal year 2021 compared to a decrease of \$5.3 million in fiscal year 2020. We estimate a 10% change in foreign exchange rates by itself would impact consolidated pretax income in fiscal years 2021 and 2020 by \$5.5 million and \$12.2 million, respectively, and cash balances, excluding restricted balances, as of April 30, 2021 and 2020 by \$14.9 million and \$9.9 million, respectively.

We generally use foreign exchange forward contracts to mitigate foreign currency exchange rate risk for loans we advance to our Canadian operations. We had no forward contracts outstanding at April 30, 2021 or 2020.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### DISCUSSION OF FINANCIAL RESPONSIBILITY

H&R Block's management is responsible for the integrity and objectivity of the information contained in this document. Management is responsible for the consistency of reporting this information and for ensuring that accounting principles generally accepted in the U.S. are properly applied. In discharging this responsibility, management maintains an extensive program of internal audits and requires members of management to certify financial information within their scope of management. Our system of internal control over financial reporting also includes formal policies and procedures, including a Code of Business Ethics and Conduct that reinforces our commitment to ethical business conduct and is designed to encourage our employees and directors to act with high standards of integrity in all that they do.

The Audit Committee of the Board of Directors, composed solely of independent outside directors, meets periodically with management, the independent auditor and the Vice President, Audit Services (our chief internal auditor) to review matters relating to our financial statements, internal audit activities, internal accounting controls and non-audit services provided by the independent auditors. The independent auditor and the Vice President, Audit Services have full access to the Audit Committee and meet with the committee, both with and without management present, to discuss the scope and results of their audits, including internal controls and financial matters.

Deloitte & Touche LLP audited our consolidated financial statements for fiscal years 2021, 2020 and 2019. The audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 12a-15(f). Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), using the 2013 framework, as of April 30, 2021.

Based on our assessment, our Chief Executive Officer and Chief Financial Officer concluded that as of April 30, 2021, the Company's internal control over financial reporting was effective based on the criteria set forth by COSO, using the 2013 framework. The Company's external auditor, Deloitte & Touche LLP, an independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting.

/s/ Jeffrey J. Jones II

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Jeffrey J. Jones II  
President and Chief Executive Officer

/s/ Tony G. Bowen

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Tony G. Bowen  
Chief Financial Officer

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of H&R Block, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of H&R Block, Inc. and subsidiaries (the "Company") as of April 30, 2021 and 2020, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows, for each of the three years in the period ended April 30, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2021, in conformity with accounting principles generally accepted in the United States of America .

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of April 30, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 15, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective May 1, 2019, the Company adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that 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. We believe that our audits provide a reasonable basis for our opinion.

### 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.

#### ***Income Taxes - Uncertain Tax Positions - Refer to Note 9 to the consolidated financial statements***

##### *Critical Audit Matter Description*

The Company operates in multiple income tax jurisdictions both within the United States and internationally. Accordingly, management must determine the appropriate allocation of income to each of these jurisdictions based on transfer pricing analyses of comparable third-party companies and predictions of future economic conditions. Transfer pricing terms and conditions may be scrutinized by local tax authorities during an audit and any resulting changes may impact the mix of earnings in countries with differing statutory tax rates. The Company accrues a liability for unrecognized tax benefits arising from uncertain tax positions reflecting their judgment as to the ultimate resolution of the applicable issues. For each position, management considers all applicable information including relevant tax laws, the taxing authorities' potential position, management's tax return

position, and the possible settlement outcomes to determine the amount of liability to record. The Company's unrecognized tax benefits as of April 30, 2021, were \$265 million.

We identified the Company's determination of uncertain tax positions measured in accordance with the Company's transfer pricing policies as a critical audit matter because of the significant judgment in the application of the tax law in applying the arm's length standard to intercompany transactions and scrutiny by local tax authorities. The significant level of judgment increases the uncertainty in evaluating the valuation of tax balances, including any uncertain tax positions that relate to the Company's transfer pricing. As a result, we utilized a high degree of auditor judgment and increased the extent of work performed, including involving our income tax specialists to evaluate whether management's judgments in interpreting and applying tax laws were appropriate.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the Company's uncertain tax positions for transfer pricing included the following, among others:

- We tested the effectiveness of controls over management's evaluation and determination of uncertain tax positions. This evaluation includes management's assessment of tax positions taken by the Company on its tax returns, including transfer pricing terms and conditions, and the related recorded amounts for uncertain tax positions.
- With the assistance of our income tax specialists, we evaluated the Company's transfer pricing methodologies and performed the following:
  - Evaluated the appropriateness of management's application of jurisdictional tax regulations in applying the arm's length standard to intercompany transactions.
  - Evaluated the application of the transfer pricing method to transactions subject to transfer pricing.
  - Tested the application of the transfer pricing policies by legal entity through an independent return on investment calculation.
  - Evaluated management's approach to identifying uncertain tax positions related to changes in the transfer pricing terms and conditions and tested the calculation of the tax positions at the individual legal entity level and at the consolidated level.

#### ***Litigation and Other Related Contingencies - Indemnification Claims - Refer to Note 12 to the consolidated financial statements***

##### *Critical Audit Matter Description*

Sand Canyon Corporation (SCC), originated mortgage loans until 2007 that were sold either as whole loans to single third-party buyers, who generally securitized such loans, or in the form of residential mortgage-backed securities. Although SCC ceased its mortgage loan origination activities in December 2007 and sold its loan servicing business in April 2008, SCC has been, remains, and may in the future be, subject to indemnification claims pertaining to SCC's mortgage business activities that occurred prior to such termination and sale. Other contracting parties, such as underwriters, depositors, and securitization trustees are, or have been, involved in multiple lawsuits, threatened lawsuits, and settlements related to securitization transactions in which SCC participated. SCC has received notices of claims for indemnification or potential indemnification obligations relating to such matters, including lawsuits to which underwriters, depositors, or securitization trustees are party. The Company has not established a liability because they have not determined that it is probable that a liability for a loss contingency has been incurred.

We have identified the potential liability and disclosure of indemnification claims as a critical audit matter because of the significant amount of judgment required by management in 1) assessing the completeness of available information used in its loss contingency analysis, 2) interpreting and applying relevant laws, 3) predicting outcomes of a litigation and 4) determining SCC's contractual responsibilities related to the securitization transactions. Given the subjective nature of audit evidence available for indemnification claims, auditing the Company's conclusion required significant auditor judgment.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the potential liabilities for the indemnification claims included the following, among others:

- We tested the effectiveness of management's internal controls related to the evaluation of potential liabilities from indemnification claims, including controls over the completeness of management's evaluation of indemnification claims and the disclosure of such matters.
- We evaluated the reasonableness of the Company's determination of potential liabilities from indemnification claims and their conclusion that it is not probable that a liability for a loss contingency has been incurred or that the amount of loss or range of loss cannot be reasonably estimated.
- We tested the completeness of management's evaluation by independently obtaining legal inquiry letters and searching external sources for corroborating and contradictory evidence.
- We evaluated the Company's disclosures for completeness and clarity of the information disclosed.

/s/ Deloitte & Touche LLP

Kansas City, Missouri

June 15, 2021

We have served as the Company's auditor since 2007.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of H&R Block, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of H&R Block, Inc. and subsidiaries (the "Company") as of April 30, 2021, 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 Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended April 30, 2021, of the Company and our report dated June 15, 2021, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### 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.

/s/ Deloitte & Touche LLP

Kansas City, Missouri

June 15, 2021

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in 000s, except per share amounts)

Year ended April 30,	2021	2020	2019
<b>REVENUES:</b>			
Service revenues	\$ 3,067,223	\$ 2,327,323	\$ 2,691,727
Royalty, product and other revenues	346,764	312,397	403,154
	<u>3,413,987</u>	<u>2,639,720</u>	<u>3,094,881</u>
<b>OPERATING EXPENSES:</b>			
Costs of revenues	1,842,092	1,712,276	1,756,922
Impairment of goodwill	—	106,000	—
Selling, general and administrative	802,268	744,361	722,167
Total operating expenses	<u>2,644,360</u>	<u>2,562,637</u>	<u>2,479,089</u>
Other income (expense), net	5,979	15,637	16,419
Interest expense on borrowings	(106,870)	(96,094)	(87,051)
Income (loss) from continuing operations before income taxes (benefit)	<u>668,736</u>	<u>(3,374)</u>	<u>545,160</u>
Income taxes (benefit)	78,524	(9,530)	99,904
Net income from continuing operations	<u>590,212</u>	<u>6,156</u>	<u>445,256</u>
Net loss from discontinued operations, net of tax benefits of \$3,883, \$4,085 and \$6,788	<u>(6,421)</u>	<u>(13,682)</u>	<u>(22,747)</u>
<b>NET INCOME (LOSS)</b>	<b>\$ 583,791</b>	<b>\$ (7,526)</b>	<b>\$ 422,509</b>
<b>BASIC EARNINGS (LOSS) PER SHARE:</b>			
Continuing operations	\$ 3.15	\$ 0.03	\$ 2.16
Discontinued operations	(0.04)	(0.07)	(0.11)
Consolidated	<u>\$ 3.11</u>	<u>\$ (0.04)</u>	<u>\$ 2.05</u>
<b>DILUTED EARNINGS (LOSS) PER SHARE:</b>			
Continuing operations	\$ 3.11	\$ 0.03	\$ 2.15
Discontinued operations	(0.03)	(0.07)	(0.11)
Consolidated	<u>\$ 3.08</u>	<u>\$ (0.04)</u>	<u>\$ 2.04</u>
<b>COMPREHENSIVE INCOME (LOSS):</b>			
Net income (loss)	\$ 583,791	\$ (7,526)	\$ 422,509
Change in foreign currency translation adjustments	56,362	(31,160)	(6,113)
Other comprehensive income (loss)	56,362	(31,160)	(6,113)
Comprehensive income (loss)	<u>\$ 640,153</u>	<u>\$ (38,686)</u>	<u>\$ 416,396</u>

See accompanying notes to consolidated financial statements.



**CONSOLIDATED BALANCE SHEETS**

(in 000s, except share and per share amounts)

As of April 30,

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 934,251	\$ 2,661,914
Cash and cash equivalents - restricted	128,669	211,106
Receivables, less allowance for doubtful accounts of \$70,689 and \$64,648	197,876	133,197
Income taxes receivable	333,366	28,477
Prepaid expenses and other current assets	105,562	52,042
Total current assets	1,699,724	3,086,736
Property and equipment, at cost, less accumulated depreciation and amortization of \$832,885 and \$796,192	148,490	184,367
Operating lease right of use asset	437,246	494,788
Intangible assets, net	360,148	414,976
Goodwill	757,659	712,138
Deferred tax assets and income taxes receivable	182,848	151,195
Other noncurrent assets	67,531	67,847
Total assets	\$ 3,653,646	\$ 5,112,047
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 198,084	\$ 203,103
Accrued salaries, wages and payroll taxes	270,982	116,375
Accrued income taxes and reserves for uncertain tax positions	287,404	209,816
Current portion of long-term debt	—	649,384
Operating lease liabilities	206,393	195,537
Deferred revenue and other current liabilities	200,216	201,401
Total current liabilities	1,163,079	1,575,616
Long-term debt and line of credit borrowings	1,490,039	2,845,873
Deferred tax liabilities and reserves for uncertain tax positions	279,351	182,441
Operating lease liabilities	242,626	312,566
Deferred revenue and other noncurrent liabilities	126,150	124,510
Total liabilities	3,301,245	5,041,006
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, no par, stated value \$.01 per share, 800,000,000 shares authorized, shares issued of 216,655,616 and 228,206,684	2,167	2,282
Additional paid-in capital	783,292	775,387
Accumulated other comprehensive income (loss)	4,786	(51,576)
Retained earnings	248,506	42,965
Less treasury shares, at cost, of 35,189,707 and 35,731,376	(686,350)	(698,017)
Total stockholders' equity	352,401	71,041
Total liabilities and stockholders' equity	\$ 3,653,646	\$ 5,112,047

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in 000s)

Year ended April 30,	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 583,791	\$ (7,526)	\$ 422,509
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	156,852	169,536	166,695
Provision for bad debt	73,451	76,621	70,569
Deferred taxes	(22,583)	(8,300)	1,129
Stock-based compensation	28,271	28,045	23,767
Impairment of goodwill	—	106,000	—
Changes in assets and liabilities, net of acquisitions:			
Receivables	(150,933)	(66,896)	(73,648)
Prepaid expenses, other current and noncurrent assets	(49,498)	39,377	(4,503)
Accounts payable, accrued expenses, salaries, wages and payroll taxes	150,635	(124,019)	54,827
Deferred revenue, other current and noncurrent liabilities	(1,160)	(9,096)	(13,758)
Income tax receivables, accrued income taxes and income tax reserves	(138,152)	(87,423)	(36,824)
Other, net	(4,746)	(7,358)	(4,225)
Net cash provided by operating activities	<u>625,928</u>	<u>108,961</u>	<u>606,538</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(52,792)	(81,685)	(95,490)
Payments made for business acquisitions, net of cash acquired	(15,576)	(450,242)	(43,637)
Franchise loans funded	(26,917)	(35,264)	(19,922)
Payments from franchisees	41,215	39,919	32,671
Other, net	8,547	57,041	(28,753)
Net cash used in investing activities	<u>(45,523)</u>	<u>(470,231)</u>	<u>(155,131)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayments of line of credit borrowings	(3,275,000)	(1,335,000)	(720,000)
Proceeds from line of credit borrowings	1,275,000	3,335,000	720,000
Repayments of long-term debt	(650,000)	—	—
Proceeds from issuance of long-term debt	647,965	—	—
Dividends paid	(195,068)	(204,870)	(205,461)
Repurchase of common stock, including shares surrendered	(191,294)	(256,214)	(189,912)
Proceeds from exercise of stock options	2,140	2,075	2,532
Other, net	(22,566)	(9,143)	(10,854)
Net cash provided by (used in) financing activities	<u>(2,408,823)</u>	<u>1,531,848</u>	<u>(403,695)</u>
Effects of exchange rate changes on cash	18,318	(5,285)	(3,663)
Net increase (decrease) in cash and cash equivalents, including restricted balances	(1,810,100)	1,165,293	44,049
Cash, cash equivalents and restricted cash, beginning of the year	2,873,020	1,707,727	1,663,678
Cash, cash equivalents and restricted cash, end of the year	<u>\$ 1,062,920</u>	<u>\$ 2,873,020</u>	<u>\$ 1,707,727</u>
<b>SUPPLEMENTARY CASH FLOW DATA:</b>			
Income taxes paid, net of refunds received	\$ 236,459	\$ 89,204	\$ 132,982
Interest paid on borrowings	103,855	87,426	82,442
Accrued additions to property and equipment	1,643	1,185	6,159

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(amounts in 000s, except per share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balances as of May 1, 2018	246,199	\$ 2,462	\$ 760,250	\$ (14,303)	\$ 362,980	(36,945)	\$ (717,678)	\$ 393,711
Net income	—	—	—	—	422,509	—	—	422,509
Cumulative effect of ASU 2016-16 <sup>(2)</sup>	—	—	—	—	100,950	—	—	100,950
Other comprehensive loss	—	—	—	(6,113)	—	—	—	(6,113)
Stock-based compensation	—	—	23,510	—	—	—	—	23,510
Stock-based awards exercised or vested	—	—	(11,407)	—	(1,550)	787	15,290	2,333
Acquisition of treasury shares <sup>(3)</sup>	—	—	—	—	—	(219)	(5,074)	(5,074)
Repurchase and retirement of common shares	(7,862)	(79)	(4,717)	—	(180,042)	—	—	(184,838)
Cash dividends declared - \$1.00 per share	—	—	—	—	(205,461)	—	—	(205,461)
Balances as of April 30, 2019	238,337	2,383	767,636	(20,416)	499,386	(36,377)	(707,462)	541,527
Net loss	—	—	—	—	(7,526)	—	—	(7,526)
Other comprehensive loss	—	—	—	(31,160)	—	—	—	(31,160)
Stock-based compensation	—	—	27,848	—	—	—	—	27,848
Stock-based awards exercised or vested	—	—	(14,019)	—	(3,419)	969	18,874	1,436
Acquisition of treasury shares <sup>(3)</sup>	—	—	—	—	—	(323)	(9,429)	(9,429)
Repurchase and retirement of common shares	(10,130)	(101)	(6,078)	—	(240,606)	—	—	(246,785)
Cash dividends declared - \$1.04 per share	—	—	—	—	(204,870)	—	—	(204,870)
Balances as of April 30, 2020	228,207	2,282	775,387	(51,576)	42,965	(35,731)	(698,017)	71,041
Net income	—	—	—	—	583,791	—	—	583,791
Other comprehensive income	—	—	—	56,362	—	—	—	56,362
Stock-based compensation	—	—	26,138	—	—	—	—	26,138
Stock-based awards exercised or vested	—	—	(11,417)	—	(1,900)	755	14,748	1,431
Acquisition of treasury shares <sup>(3)</sup>	—	—	—	—	—	(214)	(3,081)	(3,081)
Repurchase and retirement of common shares	(11,551)	(115)	(6,816)	—	(181,282)	—	—	(188,213)
Cash dividends declared - \$1.04 per share	—	—	—	—	(195,068)	—	—	(195,068)
Balances as of April 30, 2021	216,656	\$ 2,167	\$ 783,292	\$ 4,786	\$ 248,506	(35,190)	\$ (686,350)	\$ 352,401

<sup>(1)</sup> The balance of our accumulated other comprehensive income (loss) consists of foreign currency translation adjustments.

<sup>(2)</sup> ASU 2016-16 was effective on May 1, 2018 and we adopted using the modified retrospective transition method. We recognized a \$101.0 million cumulative effect adjustment to increase the opening balance of retained earnings and increase deferred tax assets resulting from intra-entity transfers of intellectual property in fiscal year 2018.

<sup>(3)</sup> Represents shares swapped or surrendered to us in connection with the vesting or exercise of stock-based awards.

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF OPERATIONS** – Our subsidiaries provide assisted and do-it-yourself (DIY) tax return preparation solutions through multiple channels (including in-person, online and mobile applications, virtual, and desktop software) and distribute H&R Block-branded services and products, including those of our bank partner, to the general public primarily in the United States (U.S.), Canada and Australia. Tax returns are either prepared by H&R Block tax professionals (in company-owned or franchise offices, virtually or via an internet review) or prepared and filed by our clients through our DIY tax solutions. We also offer small business financial solutions through our company-owned or franchise offices and online through Wave.

"H&R Block," "the Company," "we," "our" and "us" are used interchangeably to refer to H&R Block, Inc., to H&R Block, Inc. and its subsidiaries, or to H&R Block, Inc.'s operating subsidiaries, as appropriate to the context.

**PRINCIPLES OF CONSOLIDATION** – The consolidated financial statements include the accounts of the Company and our subsidiaries. Intercompany transactions and balances have been eliminated.

**DISCONTINUED OPERATIONS** – Our discontinued operations include the results of operations of Sand Canyon Corporation, previously known as Option One Mortgage Corporation (including its subsidiaries, collectively, SCC), which exited its mortgage business in fiscal year 2008. See [note 12](#) for additional information on litigation, claims, and other loss contingencies related to our discontinued operations.

**SEGMENT INFORMATION** – We report a single segment that includes all of our continuing operations.

**MANAGEMENT ESTIMATES** – The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates, assumptions and judgments are applied in the evaluation of contingent losses arising from our discontinued mortgage business, contingent losses associated with pending claims and litigation, reserves for uncertain tax positions, and fair value of reporting units. Estimates have been prepared based on the best information available as of each balance sheet date. As such, actual results could differ materially from those estimates.

**CASH AND CASH EQUIVALENTS** – All non-restricted highly liquid instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

Outstanding checks in excess of funds on deposit (book overdrafts) included in accounts payable totaled \$2.9 million and \$15.2 million as of April 30, 2021 and 2020, respectively.

**CASH AND CASH EQUIVALENTS – RESTRICTED** – Cash and cash equivalents – restricted consists primarily of cash held by our captive insurance subsidiary that is expected to be used to pay claims.

**RECEIVABLES AND RELATED ALLOWANCES** – Our trade receivables consist primarily of accounts receivable from tax clients for tax return preparation and related fees. The allowance for doubtful accounts for these receivables requires management's judgment regarding collectibility and current economic conditions to establish an amount considered by management to be adequate to cover estimated losses as of the balance sheet date. Losses from tax clients for tax return preparation and related fees are not specifically identified and charged off; instead they are evaluated on a pooled basis. At the end of the fiscal year the outstanding balances on these receivables are evaluated based on collections received and expected collections over subsequent tax seasons. We establish an allowance for doubtful accounts at an amount that we believe represents the net realizable value. In December of each year we charge-off the receivables to an amount we believe represents the net realizable value.

Our financing receivables consist primarily of participations in H&R Block Emerald Advance® lines of Credit (EAs), loans made to franchisees, and amounts due under H&R Block Instant Refund<sup>SM</sup> (Instant Refund).

Our accounting policies related to receivables and related allowances are discussed further in [note 4](#).

**PROPERTY AND EQUIPMENT** – Buildings and equipment are initially recorded at cost and are depreciated over the estimated useful life of the assets using the straight-line method. Leasehold improvements are initially recorded at cost and are amortized over the estimated useful life using the straight-line method. Estimated useful lives are generally 15 to 40 years for buildings, two to five years for computers and other equipment, three to five years for purchased software and up to eight years for leasehold improvements.

**GOODWILL AND INTANGIBLE ASSETS** – Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not amortized, but rather is tested for impairment annually during our fourth quarter, or more frequently if indications of potential impairment exist.

Intangible assets, including internally-developed software, with finite lives are amortized over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Intangible assets are typically amortized over the estimated useful life of the assets using the straight-line method.

We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on a review of qualitative factors, it is more likely than not that the fair value of a reporting unit is less than its carrying value, we perform a quantitative analysis. If the quantitative analysis indicates the carrying value of a reporting unit exceeds its fair value, we measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit. See additional discussion in [note 6](#).

**LEASES** – Operating lease right-of-use (ROU) assets represent our right to use an underlying asset for the lease term and operating lease liabilities represent our obligation to make lease payments arising from the lease. The majority of our lease portfolio consists of retail office space in the U.S., Canada, and Australia. The contract terms for these retail offices generally are from May 1 to April 30, and generally run three to five years.

We record operating lease ROU assets and operating lease liabilities based on the discounted future minimum lease payments over the term of the lease. We generally do not include renewal options in the term of the lease. As the rates implicit in our leases are not readily determinable, we use our incremental borrowing rate based on the lease term and geographic location in calculating the discounted future minimum lease payments.

We recognize lease expenses for our operating leases on a straight-line basis. For lease payments that are subject to adjustments based on indexes or rates, the most current index or rate adjustments were included in the measurement of our ROU assets and lease liabilities at adoption or commencement of the lease. Variable lease costs, including non-lease components (such as common area maintenance, utilities, insurance, and taxes) and certain index-based changes in lease payments, are expensed as incurred. Our ROU assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

We adopted Accounting Standards Update No. 2016-02, "Leases" (ASU 2016-02) as of May 1, 2019 using the alternative transition method, which allows us to use the effective date of the new standard as the initial application date. Therefore our consolidated statement of operations and cash flows for the year ended April 30, 2019 are presented under the previous accounting standard.

**FOREIGN CURRENCY** – The financial statements of the Company's foreign operations are translated into U.S. dollars. Assets and liabilities are translated at current exchange rates as of the balance sheet date, equity accounts at historical exchange rates, while income statement accounts are translated at the average rates in effect during the year. Translation adjustments are not included in net income, but are recorded as a separate component of other comprehensive income in stockholders' equity. Foreign currency gains and losses included in operating results for fiscal years 2021, 2020 and 2019 were not material.

**TREASURY SHARES** – We record shares of common stock repurchased by us as treasury shares, at cost, resulting in a reduction of stockholders' equity. Periodically, we may retire shares held in treasury as determined by our Board of Directors. We typically reissue treasury shares as part of our stock-based compensation programs. When shares are reissued, we determine the cost using the average cost method.

**FAIR VALUE MEASUREMENT** – We use the following classification of financial instruments pursuant to the fair value hierarchy methodologies for assets measured at fair value:

- Level 1 – inputs to the valuation are quoted prices in an active market for identical assets.
- Level 2 – inputs to the valuation include quoted prices for similar assets in active markets utilizing a third-party pricing service to determine fair value.
- Level 3 – valuation is based on significant inputs that are unobservable in the market and our own estimates of assumptions that we believe market participants would use in pricing the asset.

Assets measured on a recurring basis are initially measured at fair value and are required to be remeasured at fair value in the financial statements at each reporting date.

Fair value estimates, methods and assumptions are set forth below. The fair value was not estimated for assets and liabilities that are not considered financial instruments.

- Cash and cash equivalents, including restricted - Fair value approximates the carrying amount (Level 1).
- Receivables, net - short-term - For short-term balances the carrying values reported in the balance sheet approximate fair market value due to the relative short-term nature of the respective instruments (Level 1).
- Receivables, net - long-term - The carrying values for the long-term portion of loans to franchisees approximate fair market value due to variable interest rates, low historical delinquency rates and franchise territories serving as collateral (Level 1). Long-term EA, Refund Transfer (RT) and Instant Refund receivables are carried at net realizable value which approximates fair value (Level 3). Net realizable value is determined based on historical and projected collection rates.
- Long-term debt - The fair value of our Senior Notes is based on quotes from multiple banks (Level 2). See [note 7](#) for fair value.
- Contingent consideration - Fair value approximates the carrying amount (Level 3). See [note 10](#) for the carrying amount.

**REVENUE RECOGNITION** – Revenue is recognized upon satisfaction of performance obligations by the transfer of a product or service to the customer. Revenue is the amount of consideration we expect to receive for our services and products and excludes sales taxes. The majority of our services and products have multiple performance obligations. We have certain services for which, the various performance obligations are generally provided simultaneously at a point in time, and revenue is recognized at that time. We have certain services and products where we have multiple performance obligations that are provided at various points in time. For these services and products, we allocate the transaction price to the various performance obligations based on relative standalone selling prices and recognize the revenue when the respective performance obligations have been satisfied. We have determined that our contracts do not contain a significant financing component.

Service revenues consist of assisted and online tax preparation revenues, fees for electronic filing, revenues from RTs, Emerald Card, Peace of Mind® (POM), Tax Identity Shield (TIS) and Wave.

**Assisted tax preparation** services include tax preparation and electronic filing or printing of the completed tax return. Revenues from tax preparation services, including printing for clients that choose to print and mail their returns, are recognized when a completed return is accepted by the customer. Revenues for electronic filing are recognized when the return is electronically filed.

**Royalties** are based on contractual percentages of franchise gross receipts and are generally recorded in the period in which the services are provided by the franchisee to the customer.

**DIY tax preparation** includes fees for online and desktop tax preparation software and for electronic filing or printing. Revenues for online software, including printing for clients that choose to print and mail their returns, are recognized when the customer uses the software to complete a return and revenues for desktop software are recognized when the software is sold to the end user. Revenues for electronic filing are recognized when the return is electronically filed.

**Refund Transfer** revenues are recognized when the IRS filing acknowledgment is received and the bank account is established at our bank partner, MetaBank®, N.A. (Meta), a wholly-owned subsidiary of Meta Financial Group, Inc.

**Emerald Card®** revenues consist of interchange income from the use of debit cards and fees related to the card, such as fees from the use of ATM networks. Interchange income is a fee paid by merchants to our bank partner through the interchange network. Revenue associated with our Emerald Card® is recognized based on authorization of cardholder transactions.

**Peace of Mind® Extended Service Plan** revenues are initially deferred and recognized over the term of the plan, based on the historical pattern of actual claims paid, as claims paid represent the transfer of POM services to the customer. The plan is effective for the life of the tax return, which can be up to six years; however, the majority of claims are incurred in years two and three after the sale of POM. POM has multiple performance obligations where we represent our clients if they are audited by a taxing authority, and assume the cost, subject to certain limits, of additional taxes owed by a client resulting from errors attributable to H&R Block. Incremental wages are also deferred and recognized over the term of the plan, in conjunction with the revenues earned.

**Tax Identity Shield®** revenues are initially deferred and are recognized as the various services are provided to the client, either by us or a third party, throughout the term of the contract, which generally ends on April 30th of the following year. TIS has multiple performance obligations where we provide clients assistance in helping protect their tax identity and access to services to help restore their tax identity, if necessary. Protection services include a daily scan of the dark web for personal information, a monthly scan for social security number in credit header data, notifying clients if their information is detected on a tax return filed through H&R Block, and obtaining additional IRS identity protections when eligible.

**Interest and fee income on Emerald Advance<sup>SM</sup>** lines of credit is recorded over the life of the underlying loan.

**Wave** revenues primarily consist of fees received to process payment transactions and are generally calculated as a percentage of the transaction amounts processed. Revenues are recognized upon authorization of the transaction.

**MARKETING AND ADVERTISING** – Advertising costs for radio and television ads are expensed over the course of the tax season, with online, print and mailing advertising expensed as incurred. Marketing and advertising expenses totaled \$262.0 million, \$255.1 million and \$269.8 million in fiscal years 2021, 2020 and 2019, respectively.

**EMPLOYEE BENEFIT PLANS** – We have a 401(k) defined contribution plan covering eligible full-time and seasonal employees following the completion of an eligibility period. Employer contributions to this plan are discretionary and totaled \$26.6 million, \$18.8 million and \$19.3 million for continuing operations in fiscal years 2021, 2020 and 2019, respectively.

We have severance plans covering executives and eligible regular full-time or part-time active employees who incur a qualifying termination. Expenses related to severance benefits of continuing operations totaled \$8.4 million, \$2.5 million and \$5.0 million in fiscal years 2021, 2020 and 2019, respectively.

## NOTE 2: REVENUE RECOGNITION

The majority of our revenues are from our U.S. tax services business. The following table disaggregates our U.S. tax services revenues by major service line, with revenues from our international tax services businesses and from Wave included as separate lines:

(in 000s)					
Year ended April 30,	2021		2020		2019
Revenues:					
U.S. assisted tax preparation	\$	2,035,107	\$	1,533,303	\$ 1,858,998
U.S. royalties		226,253		193,411	243,541
U.S. DIY tax preparation		313,055		208,901	261,413
International		249,868		180,065	220,562
Refund Transfers		163,329		154,687	169,985
Emerald Card®		136,717		92,737	98,256
Peace of Mind® Extended Service Plan		98,882		105,185	108,114
Tax Identity Shield®		40,624		31,797	35,661
Interest and fee income on Emerald Advance <sup>SM</sup>		53,430		60,867	58,182
Wave		58,277		36,711	—
Other		38,445		42,056	40,169
Total revenues	\$	3,413,987	\$	2,639,720	\$ 3,094,881

Changes in the balances of deferred revenue and wages for POM are as follows:

(in 000s)					
POM	Deferred Revenue			Deferred Wages	
	2021	2020	2021	2020	
Year ended April 30,					
Balance, beginning of the year	\$ 183,685	\$ 212,511	\$ 21,618	\$ 27,306	
Amounts deferred	115,114	95,032	11,367	10,708	
Amounts recognized on previous deferrals	(114,928)	(123,858)	(12,816)	(16,396)	
Balance, end of the year	\$ 183,871	\$ 183,685	\$ 20,169	\$ 21,618	

As of April 30, 2021, deferred revenue related to POM was \$183.9 million. We expect that \$101.9 million will be recognized over the next twelve months, while the remaining balance will be recognized over the following sixty months. The related liabilities are included in deferred revenue and other liabilities in the consolidated balance sheets. The related assets are included in prepaid expenses and other current assets or other noncurrent assets.

As of April 30, 2021, and 2020, TIS deferred revenue was \$28.9 million and \$30.8 million, respectively. The related liabilities are included in deferred revenue and other current liabilities in the consolidated balance sheets. All deferred revenue related to TIS as of April 30, 2021 will be recognized within the next twelve months.

A significant portion of our accounts receivable balances arise from services and products that we provide to our customers, with the exception of those related to EAs, which arise from purchased participation interests with our bank partner. The majority of our receivables are related to our RT product. Generally the prices of our services and products are fixed and determinable at the time of sale. For our RT product, we record a receivable for our fees which is then collected at the time the IRS issues the client's refund. Our receivables from customers are generally collected on a periodic basis during and subsequent to the tax season. See [note 4](#) for our accounts receivable balances.

## NOTE 3: EARNINGS PER SHARE

Basic and diluted earnings (loss) per share is computed using the two-class method. The two-class method is an earnings allocation formula that determines net income per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Per share amounts are



computed by dividing net income (loss) from continuing operations attributable to common shareholders by the weighted average shares outstanding during each period.

The computations of basic and diluted earnings (loss) per share from continuing operations are as follows:

		(in 000s, except per share amounts)		
Year ended April 30,	2021	2020	2019	
Net income from continuing operations attributable to shareholders	\$ 590,212	\$ 6,156	\$ 445,256	
Amounts allocated to participating securities	(2,413)	(639)	(1,040)	
Net income from continuing operations attributable to common shareholders	\$ 587,799	\$ 5,517	\$ 444,216	
Basic weighted average common shares	186,832	196,701	205,372	
Potential dilutive shares	1,945	1,407	1,352	
Dilutive weighted average common shares	188,777	198,108	206,724	
Earnings per share from continuing operations attributable to common shareholders:				
Basic	\$ 3.15	\$ 0.03	\$ 2.16	
Diluted	3.11	0.03	2.15	

Diluted earnings per share excludes the impact of shares of common stock issuable upon the lapse of certain restrictions or the exercise of options to purchase 0.8 million, 0.9 million and 0.4 million shares of stock for fiscal years 2021, 2020 and 2019, respectively, as the effect would be antidilutive.

## NOTE 4: RECEIVABLES

Receivables, net of their related allowance, consist of the following:

		(in 000s)			
As of April 30,	2021		2020		
	Short-term	Long-term	Short-term	Long-term	
Loans to franchisees	\$ 16,666	\$ 28,909	\$ 25,397	\$ 31,329	
Receivables for U.S. assisted and DIY tax preparation and related fees	92,531	3,793	47,030	3,112	
H&R Block Instant Refund <sup>SM</sup> receivables	35,665	1,463	15,031	1,325	
H&R Block Emerald Advance <sup>®</sup> lines of credit	9,210	17,095	10,001	14,081	
Software receivables from retailers	4,823	—	7,341	—	
Royalties and other receivables from franchisees	16,136	196	9,861	42	
Wave payment processing receivables	1,569	—	3,200	—	
Other	21,276	1,233	15,336	1,828	
	\$ 197,876	\$ 52,689	\$ 133,197	\$ 51,717	

Balances presented above as short-term are included in receivables, while the long-term portions are included in other noncurrent assets in the consolidated balance sheets.

**Loans to Franchisees.** Franchisee loan balances consist of term loans made primarily to finance the purchase of franchises and revolving lines of credit primarily for the purpose of funding working capital needs. As of April 30, 2021 and 2020, loans with a principal balance of \$0.1 million and \$0.2 million, respectively, were more than 90 days past due. We had no loans to franchisees on non-accrual status as of April 30, 2021 or 2020.

The credit quality of these receivables is assessed at origination at an individual franchisee level. Payment history is monitored on a regular basis. Based upon our internal analysis and underwriting activities, we believe all loans to franchisees are of similar credit quality. Loans are evaluated for collectibility when they become delinquent or more than 90 days past due. Amounts deemed to be uncollectible are written off to bad debt expense and bad debt related to these loans has typically been immaterial. Additionally, the franchise territory serves as additional protection in the event a franchisee defaults on the loan, as we may revoke franchise rights, write off the remaining balance of the loan and re-franchise the territory or begin operating it as company-owned.

**H&R Block Instant Refund<sup>SM</sup>.** Our Canadian operations advance refunds due to certain clients from the Canada Revenue Agency (CRA), in exchange for a fee. The total fee we charge for this service is mandated by legislation which is administered by the CRA. The client assigns to us the full amount of the tax refund to be issued by the CRA and the refund is then sent by the CRA directly to us. The amount we advance to clients under this program is the amount of their estimated refund, less our fees, any amounts expected to be withheld by the CRA for amounts the client may owe to government authorities and any amounts owed to us from prior years. The CRA system for tracking amounts due to various government agencies also indicates if the client has already filed a return, does not exist in CRA records, or is bankrupt. This serves to greatly reduce the amounts of uncollectible receivables and the risk of fraudulent returns. H&R Block Instant Refund<sup>SM</sup> amounts are generally received from the CRA within 60 days of filing the client's return, with the remaining balance collectible from the client.

Credit losses from these receivables are not specifically identified and charged off; instead we review the credit quality of these receivables on a pooled basis, segregated by the year of origination with older years being deemed more unlikely to be repaid. At the end of the fiscal year, the outstanding balances on these receivables are evaluated based on collections received and expected collections over subsequent tax seasons. We establish an allowance for doubtful accounts at an amount that we believe represents the net realizable value. In December of each year we charge-off the receivables to an amount we believe represents the net realizable value.

Current balances and amounts on non-accrual status and classified as impaired, or more than 60 days past due, by year of origination, as of April 30, 2021 are as follows:

Year of Origination	(in 000s)	
	Current Balance	Non-Accrual
2021	\$ 38,086	\$ 561
2020 and prior	578	578
	<u>38,664</u>	<u>\$ 1,139</u>
Allowance	(1,536)	
Net balance	\$ 37,128	

**H&R Block Emerald Advance<sup>®</sup> lines of credit.** EAs are typically offered to clients in our offices from mid-November through mid-January, in amounts up to \$1,000. If the borrower meets certain criteria as agreed in the loan terms, the line of credit can be utilized year-round. EA balances require an annual paydown on February 15<sup>th</sup>, and any amounts unpaid are placed on non-accrual status as of March 1<sup>st</sup>. Payments on past due amounts are applied to principal. These lines of credit are offered by our bank partner. We purchase participation interests in their loans, as discussed further in [note 10](#).

Credit losses from EAs are not specifically identified and charged off; instead we review the credit quality of these receivables on a pooled basis, segregated by the year of origination with older years being deemed more unlikely to be repaid. At the end of the fiscal year, the outstanding balances on these receivables are evaluated based on collections received and expected collections over subsequent tax seasons. We establish an allowance for doubtful accounts at an amount that we believe represents the net realizable value. In December of each year we charge-off the receivables to an amount we believe represents the net realizable value.

Current balances and amounts on non-accrual status and classified as impaired, or more than 60 days past due, by year of origination as of April 30, 2021, are as follows:

Year of Origination	(in 000s)	
	Current Balance	Non-Accrual
2021	\$ 37,809	\$ 37,809
2020 and prior	3,239	3,239
Revolving loans	<u>12,961</u>	<u>12,438</u>
	<u>54,009</u>	<u>\$ 53,486</u>
Allowance	(27,704)	
Net balance	\$ 26,305	

**Allowance for Doubtful Accounts.** Activity in the allowance for doubtful accounts for EAs and all other short-term and long-term receivables for the years ended April 30, 2021, 2020, and 2019 is as follows:

					(in 000s)
		EAs		All Other	Total
Balances as of May 1, 2018	\$	26,622	\$	55,191	\$ 81,813
Provision		17,272		53,297	70,569
Charge-offs, recoveries and other		(16,359)		(54,550)	(70,909)
Balances as of April 30, 2019		27,535		53,938	81,473
Provision		21,771		54,850	76,621
Charge-offs, recoveries and other		(17,272)		(58,342)	(75,614)
Balances as of April 30, 2020		32,034		50,446	82,480
Provision		14,319		59,132	73,451
Charge-offs, recoveries and other		(18,649)		(53,774)	(72,423)
Balances as of April 30, 2021	\$	27,704	\$	55,804	\$ 83,508

## NOTE 5: PROPERTY AND EQUIPMENT

The components of property and equipment, net of accumulated depreciation and amortization, are as follows:

					(in 000s)
As of April 30,		2021		2020	
Buildings	\$	44,121	\$	50,308	
Computers and other equipment		62,712		77,483	
Leasehold improvements		37,772		52,631	
Purchased software		2,508		2,569	
Land and other non-depreciable assets		1,377		1,376	
	\$	148,490	\$	184,367	

Depreciation expense of property and equipment for continuing operations for fiscal years 2021, 2020 and 2019 was \$73.4 million, \$85.9 million and \$93.5 million, respectively.

The carrying value of long-lived assets held outside the U.S., which is comprised of property and equipment, totaled \$18.9 million, \$19.1 million and \$23.6 million as of April 30, 2021, 2020 and 2019, respectively.

## NOTE 6: GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the years ended April 30, 2021 and 2020 are as follows:

					(in 000s)
		Goodwill	Accumulated Impairment Losses		Net
Balances as of May 1, 2019	\$	552,234	\$ (32,297)	\$	519,937
Acquisition of Wave		300,560	—		300,560
Other acquisitions		23,795	—		23,795
Disposals and foreign currency changes, net		(26,154)	—		(26,154)
Impairments		—	(106,000)		(106,000)
Balances as of April 30, 2020		850,435	(138,297)		712,138
Acquisitions		6,948	—		6,948
Disposals and foreign currency changes, net		38,573	—		38,573
Impairments		—	—		—
Balances as of April 30, 2021	\$	895,956	\$ (138,297)	\$	757,659

We tested goodwill for impairment in the fourth quarter of fiscal year 2021, and did not identify any impairment. In fiscal year 2020, we recorded a goodwill impairment loss of \$106.0 million related to Wave.

Components of intangible assets are as follows:

(in 000s)

As of April 30,	2021			2020		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Reacquired franchise rights	\$ 370,112	\$ (179,356)	\$ 190,756	\$ 365,062	\$ (159,754)	\$ 205,308
Customer relationships	316,508	(251,160)	65,348	314,191	(227,445)	86,746
Internally-developed software	156,308	(116,126)	40,182	154,083	(113,698)	40,385
Noncompete agreements	41,212	(35,484)	5,728	41,072	(33,639)	7,433
Franchise agreements	19,201	(15,894)	3,307	19,201	(14,614)	4,587
Purchased technology	122,700	(72,609)	50,091	122,700	(57,548)	65,152
Trade name	5,800	(1,064)	4,736	5,800	(483)	5,317
Acquired assets pending final allocation	—	—	—	48	—	48
	<b>\$ 1,031,841</b>	<b>\$ (671,693)</b>	<b>\$ 360,148</b>	<b>\$ 1,022,157</b>	<b>\$ (607,181)</b>	<b>\$ 414,976</b>

<sup>(1)</sup> Represents recent business acquisitions for which final purchase price allocations have not yet been determined.

Amortization of intangible assets of continuing operations for the years ended April 30, 2021, 2020 and 2019 was \$83.4 million, \$83.6 million and \$73.2 million, respectively. Estimated amortization of intangible assets for fiscal years 2022, 2023, 2024, 2025 and 2026 is \$75.4 million, \$57.7 million, \$38.4 million, \$20.3 million and \$13.3 million, respectively.

We made payments to acquire businesses totaling \$15.6 million, \$450.2 million and \$43.6 million during the fiscal years ended April 30, 2021, 2020 and 2019, respectively. The fiscal year ended April 30, 2020 included the acquisition of Wave. The amounts and weighted-average lives of assets acquired during fiscal year 2021, including amounts capitalized and placed in service related to internally-developed software, are as follows:

(dollars in 000s)

	Amount	Weighted-Average Life (in years)
Internally-developed software	\$ 14,919	3
Customer relationships	8,987	5
Reacquired franchise rights	5,941	5
Noncompete agreements	348	5
Total	<b>\$ 30,195</b>	<b>4</b>

During the fiscal year ended April 30, 2020, we acquired Wave for \$408.4 million. Included in the transaction price was \$8.2 million which will be treated as compensation expense.

The assets acquired, net of liabilities assumed on the acquisition date, and the identified intangible assets and goodwill, are as follows:

(dollars in 000s)

	Amount Acquired	Weighted-Average Life (in years)
Assets acquired and liabilities assumed, net	\$ 3,928	
Deferred tax liability	(8,126)	
Purchased technology	68,000	10
Customer relationships	23,000	5
Non-compete agreements	7,070	5
Trade name	5,800	10
Total identifiable net assets	<b>99,672</b>	
Goodwill <sup>(1)</sup>	<b>300,560</b>	
Total identifiable assets and goodwill	<b>\$ 400,232</b>	

<sup>(1)</sup> See discussion of Wave's goodwill impairment of \$106.0 million in fiscal year 2020 above.

## NOTE 7: LONG-TERM DEBT

The components of long-term debt are as follows:

As of April 30,	(in 000s)	
	2021	2020
Senior Notes, 4.125%, due October 2020 <sup>(1)</sup>	\$ —	\$ 650,000
Senior Notes, 5.500%, due November 2022 <sup>(1)</sup>	500,000	500,000
Senior Notes, 5.250%, due October 2025 <sup>(1)</sup>	350,000	350,000
Senior Notes, 3.875%, due August 2030 <sup>(1)</sup>	650,000	—
Committed line of credit borrowings	—	2,000,000
Debt issuance costs and discounts	(9,961)	(4,743)
Total long-term debt	1,490,039	3,495,257
Less: Current portion	—	(649,384)
Long-term portion	\$ 1,490,039	\$ 2,845,873
Estimated fair value of long-term debt	\$ 1,609,000	\$ 3,526,000

<sup>(1)</sup> The Senior Notes are not redeemable by the bondholders prior to maturity, although we have the right to redeem some or all of these notes at any time, at specified redemption prices. The interest rates on our Senior Notes are subject to adjustment based upon our credit ratings.

On August 7, 2020, we issued \$650.0 million of 3.875% Senior Notes due August 15, 2030 (2030 Senior Notes). The proceeds of the 2030 Senior Notes were used to repay the \$650 million Senior Notes that matured on October 1, 2020.

**UNSECURED COMMITTED LINE OF CREDIT** – Our unsecured committed line of credit (CLOC) provides for an unsecured senior revolving credit facility in the aggregate principal amount of \$2.0 billion, which includes a \$200.0 million sublimit for swingline loans and a \$50.0 million sublimit for standby letters of credit. We may request increases in the aggregate principal amount of the revolving credit facility of up to \$500.0 million, subject to obtaining commitments from lenders and meeting certain other conditions. The CLOC will mature on September 21, 2023, unless extended pursuant to the terms of the CLOC, at which time all outstanding amounts thereunder will be due and payable. Our CLOC includes an annual facility fee, which will vary depending on our then current credit ratings.

The CLOC is subject to various conditions, triggers, events or occurrences that could result in earlier termination and contains customary representations, warranties, covenants and events of default, including, without limitation: (1) a covenant requiring the Company to maintain a debt-to-EBITDA ratio calculated on a consolidated basis of no greater than (a) 3.50 to 1.00 as of the last day of each fiscal quarter ending on April 30, July 31, and October 31 of each year and (b) 4.50 to 1.00 as of the last day of each fiscal quarter ending on January 31 of each year; (2) a covenant requiring us to maintain an interest coverage ratio (EBITDA-to-interest expense) calculated on a consolidated basis of not less than 2.50 to 1.00 as of the last date of any fiscal quarter; and (3) covenants restricting our ability to incur certain additional debt, incur liens, merge or consolidate with other companies, sell or dispose of assets (including equity interests), liquidate or dissolve, engage in certain transactions with affiliates or enter into certain restrictive agreements. The CLOC includes provisions for an equity cure which could potentially allow us to independently cure certain defaults. Proceeds under the CLOC may be used for working capital needs or for other general corporate purposes. We were in compliance with these requirements as of April 30, 2021.

In September 2020, we utilized our cash on hand to repay the outstanding \$2.0 billion CLOC. We had no outstanding balance under our CLOC as of April 30, 2021 and amounts available to borrow were limited by the debt-to-EBITDA covenant to approximately \$1.7 billion as of April 30, 2021.

See [note 13](#) for discussion regarding an amendment to our CLOC effective June 11, 2021.

**OTHER INFORMATION** – The aggregate payments required to retire long-term debt are \$500.0 million in fiscal year 2023, \$350.0 million in fiscal year 2026 and \$650.0 million in fiscal year 2031.

## NOTE 8: STOCK-BASED COMPENSATION

We have a stock-based Long Term Incentive Plan (Plan), under which we can grant stock options, restricted shares, performance-based share units, restricted share units, deferred stock units and other forms of equity to employees, non-employee directors and consultants. Stock-based compensation expense and related tax items are as follows:

Year ended April 30,	(in 000s)		
	2021	2020	2019
Stock based compensation expense	\$ 28,271	\$ 28,045	\$ 23,767
Tax benefit	1,802	7,175	6,076
Realized tax benefit	1,690	5,856	3,416

As of April 30, 2021, we had 11.2 million shares reserved for future awards under our Plan. We issue shares from our treasury stock to satisfy the exercise or vesting of stock-based awards and believe we have adequate treasury stock balances available for future issuances.

We measure the fair value of restricted share units (other than performance-based share units) based on the closing price of our common stock on the grant date. We measure the fair value of performance-based share units based on the Monte Carlo valuation model, taking into account, as necessary, those provisions of the performance-based share units that are characterized as market conditions. We generally expense the grant-date fair value, net of estimated forfeitures, over the vesting period on a straight-line basis.

Options and restricted share units (other than performance-based share units) granted to employees typically vest pro-rata based upon service over a three-year period with a portion vesting each year. Performance-based share units granted to employees typically cliff vest at the end of a three-year period based upon satisfaction of both service-based and performance-based requirements. The number of performance-based share units that ultimately vest can range from zero up to 200 percent of the number granted, based on the form of the award, which can vary by year of grant. The performance metrics for these awards typically consist of earnings before interest, taxes, depreciation and amortization (EBITDA), EBITDA growth, return on invested capital, total shareholder return or our stock price. Deferred stock units granted to non-employee directors vest when they are granted and are settled six months after the director separates from service as a director of the Company, except in the case of death.

All share units granted to employees and non-employee directors receive cumulative dividend equivalents to the extent of the units ultimately vesting at the time of distribution. Options granted under our Plan have a maximum contractual term of ten years.

A summary of restricted share units and deferred stock units, including those that are performance-based, for the year ended April 30, 2021, is as follows:

	(shares in 000s)			
	Restricted Share Units and Deferred Stock Units		Performance-Based Share Units	
	Shares	Weighted- Average Grant Date Fair Value	Shares	Weighted- Average Grant Date Fair Value
Outstanding, beginning of the year	2,080	\$ 25.94	1,245	\$ 29.12
Granted	1,328	15.58	949	16.74
Released	(525)	27.13	(77)	24.19
Forfeited	(259)	21.83	(129)	19.16
Outstanding, end of the year	2,624	\$ 21.34	1,988	\$ 21.88

The total fair value of shares and units vesting during fiscal years 2021, 2020 and 2019 was \$16.1 million, \$22.1 million and \$17.9 million, respectively. As of April 30, 2021, we had \$37.9 million of total unrecognized

compensation cost related to these shares. This cost is expected to be recognized over a weighted-average period of two years.

When valuing our performance-based share units on the grant date, we typically estimate the expected volatility using historical volatility for H&R Block, Inc. and selected comparable companies. The dividend yield is calculated based on the current dividend and the market price of our common stock on the grant date. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve in effect on the grant date. Both expected volatility and the risk-free interest rate are based on a period that approximates the expected term. The following assumptions were used to value performance-based share units using the Monte Carlo valuation model during the periods:

Year ended April 30,	2021	2020	2019
Expected volatility	21.14% - 84.49%	13.47% - 66.33%	13.16% - 66.47%
Expected term	3 years	3 years	3 years
Dividend yield <sup>(1)</sup>	0% - 3.95%	0% - 3.55%	0% - 4.39%
Risk-free interest rate	0.14% - 0.18%	1.70 %	2.61 %
Weighted-average fair value	\$ 16.74	\$ 32.01	\$ 24.48

<sup>(1)</sup> The valuation model assumes that dividends are reinvested by the Company on a continuous basis.

## NOTE 9: INCOME TAXES

We file a consolidated federal income tax return in the U.S. with the IRS and file tax returns in various state, local, and foreign jurisdictions. Tax returns are typically examined and either settled upon completion of the examination or through the appeals process. Our U.S. federal income tax returns for 2017 and later years remain open for examination. Our U.S. federal income tax returns for 2016 and all prior periods are currently closed. With respect to state and local jurisdictions and countries outside of the U.S., we are typically subject to examination for three to six years after the income tax returns have been filed. Although the outcome of tax audits is always uncertain, we believe that adequate amounts of tax, interest, and penalties have been provided for in the accompanying consolidated financial statements for any adjustments that might be incurred due to federal, state, local or foreign audits.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law. The CARES Act includes, among other items, modifications to net operating loss carryback periods, net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act allows a five-year carryback of net operating losses generated between 2018 and 2021 to fully offset certain taxable income previously subject to a 35% statutory tax rate. As a result of the CARES Act and changes to our methods of accounting for items under the Internal Revenue Code, we generated a loss for tax purposes on our calendar 2020 tax return, will carry back the loss to two of the five preceding tax years, and obtain a refund of previously paid federal income taxes. The net operating loss carryback has reduced our effective tax rate and income taxes payable and increased our unrecognized tax benefits, income tax refund receivables, and deferred tax liabilities. The net operating loss carryback will reopen our 2015 tax return to examination.

The components of income (loss) from continuing operations upon which domestic and foreign income taxes have been provided are as follows:

Year ended April 30,	(in 000s)		
	2021	2020	2019
Domestic	\$ 489,499	\$ 56,121	\$ 389,319
Foreign	179,237	(59,495)	155,841
	\$ 668,736	\$ (3,374)	\$ 545,160

We operate in multiple income tax jurisdictions both within the United States and internationally. Accordingly, management must determine the appropriate allocation of income to each of these jurisdictions based on transfer pricing analyses of comparable companies and predictions of future economic conditions. Although these intercompany transactions reflect arm's length terms and the proper transfer pricing documentation is in place,

transfer pricing terms and conditions may be scrutinized by local tax authorities during an audit and any resulting changes may impact our mix of earnings in countries with differing statutory tax rates.

The reconciliation between the income tax provision and the amount computed by applying the statutory U.S. federal tax rate to income taxes of continuing operations is as follows:

Year ended April 30,	2021	2020	2019
U.S. statutory tax rate	21.0 %	21.0 %	21.0 %
Change in tax rate resulting from:			
State income taxes, net of federal income tax benefit	1.8 %	20.4 %	2.3 %
Earnings taxed in foreign jurisdictions	(1.2)%	619.4 %	(2.7)%
Permanent differences	0.5 %	(257.5)%	0.3 %
Impairment of goodwill	— %	(832.5)%	— %
Uncertain tax positions	7.5 %	508.3 %	(2.3)%
U.S. tax on income from foreign affiliates	1.0 %	(247.4)%	— %
Remeasurement of deferred tax assets and liabilities	(0.1)%	117.6 %	0.2 %
Changes in prior year estimates	(0.5)%	55.5 %	— %
Federal income tax credits	(0.9)%	216.3 %	— %
Tax impacts of stock-based compensation vesting	— %	44.8 %	— %
Tax benefit due to NOL carryback under CARES Act	(17.5)%	— %	— %
Tax deductible write-down of foreign investment	(1.7)%	— %	— %
Change in valuation allowance - domestic	(0.2)%	37.1 %	0.4 %
Change in valuation allowance - foreign	1.7 %	20.6 %	(0.8)%
Other	0.3 %	(41.2)%	(0.1)%
Effective tax rate	11.7 %	282.4 %	18.3 %

Our effective tax rate for continuing operations was 11.7% and 282.4% for fiscal year 2021 and 2020, respectively. The decrease in the effective tax rate in 2021 compared to 2020 is primarily due to the near break-even loss in 2020 of \$3.4 million, which caused an exaggerated impact for nearly all adjustments impacting the rate. Our 2021 effective tax rate is also lower because of net operating loss carrybacks generated during the year, partially offset by uncertain tax positions recorded in the current year.

The increase in the effective tax rate in fiscal year 2020 compared to fiscal year 2019 is also primarily due to the near break-even loss in 2020 of \$3.4 million, which caused an exaggerated impact for nearly all adjustments impacting the rate. For 2020, the largest increases in the effective tax rate over 2019 are tax benefits from statute of limitations expiring on certain uncertain tax positions and the mix of earnings in foreign jurisdictions, offset by the adverse tax impacts associated with the nondeductible goodwill impairment to the Wave reporting unit. Due to the pretax loss in 2020, the tax benefits increased the effective tax rate while tax expense decreased the effective tax rate.



The components of income tax expense (benefit) for continuing operations are as follows:

	(in 000s)		
Year ended April 30,	2021	2020	2019
<b>Current:</b>			
Federal	\$ 58,834	\$ 18,048	\$ 74,993
State	12,000	(16,614)	12,345
Foreign	26,032	1,991	6,711
	<u>96,866</u>	<u>3,425</u>	<u>94,049</u>
<b>Deferred:</b>			
Federal	2,493	1,703	6,625
State	(11,368)	(1,516)	(1,070)
Foreign	(9,467)	(13,142)	300
	<u>(18,342)</u>	<u>(12,955)</u>	<u>5,855</u>
Total income taxes (benefit) for continuing operations	<u>\$ 78,524</u>	<u>\$ (9,530)</u>	<u>\$ 99,904</u>

The net loss from discontinued operations for fiscal years 2021, 2020 and 2019 totaled \$6.4 million, \$13.7 million and \$22.7 million, respectively, and was net of tax benefits of \$3.9 million, \$4.1 million and \$6.8 million, respectively.

The significant components of deferred tax assets and liabilities are reflected in the following table:

	(in 000s)	
As of April 30,	2021	2020
<b>Deferred tax assets:</b>		
Accrued expenses	\$ 3,576	\$ 4,646
Deferred revenue	10,445	11,082
Allowance for credit losses and related reserves	33,027	29,666
Deferred and stock-based compensation	24,712	6,669
Net operating loss carry-forward	104,013	86,213
Lease liabilities	112,249	126,505
Federal tax benefits related to state unrecognized tax benefits	16,682	16,729
Property and equipment	40,138	—
Intangibles - intellectual property	86,711	85,688
Valuation allowance	(55,401)	(45,124)
Total deferred tax assets	<u>376,152</u>	<u>322,074</u>
<b>Deferred tax liabilities:</b>		
Prepaid expenses and other	(11,927)	(5,189)
Lease right of use assets	(109,726)	(123,900)
Property and equipment	—	(12,221)
Income tax method change	(56,257)	—
Intangibles	(72,650)	(64,252)
Total deferred tax liabilities	<u>(250,560)</u>	<u>(205,562)</u>
Net deferred tax assets	<u>\$ 125,592</u>	<u>\$ 116,512</u>

A reconciliation of the deferred tax assets and liabilities and the corresponding amounts reported in the consolidated balance sheets is as follows:

As of April 30,	(in 000s)		
	2021		2020
Deferred income tax assets	\$	141,836	\$ 138,527
Deferred tax liabilities		(16,244)	(22,015)
Net deferred tax asset	\$	125,592	\$ 116,512

Changes in our valuation allowance for fiscal years 2021, 2020 and 2019 are as follows:

Year ended April 30,	(in 000s)		
	2021		2020
Balance, beginning of the year	\$	45,124	\$ 47,070
Additions charged to costs and expenses		13,492	2,151
Deductions		(3,215)	(4,097)
Balance, end of the year	\$	55,401	\$ 45,124

Our valuation allowance on deferred tax assets has a net increase of \$10.3 million during the current period. The gross increase in valuation allowance of \$13.5 million is related to net operating loss deferred tax assets generated by foreign losses that we do not expect to utilize in future years. This \$13.5 million increase is offset by a \$3.2 million decrease to our valuation allowance balance for adjustments to certain state and foreign net operating losses we now expect to utilize in future periods.

Certain of our subsidiaries file stand-alone returns in various state, local and foreign jurisdictions, and others join in filing consolidated or combined returns in such jurisdictions. As of April 30, 2021, we had net operating losses in various states and foreign jurisdictions. The amount of state and foreign net operating losses varies by taxing jurisdiction. We maintain a valuation allowance of \$21.3 million on state net operating losses and \$33.2 million on foreign net operating losses for the portion of such losses that, more likely than not, will not be realized. Of the \$49.5 million of net operating loss deferred tax assets, \$10.4 million will expire in varying amounts during fiscal years 2022 through 2041 and the remaining \$39.1 million has no expiration.

We do not currently intend to repatriate non-borrowed funds held by our foreign subsidiaries in a manner that would trigger a material tax liability; therefore, no provision has been made for income taxes that might be payable upon remittance of such earnings. The amount of unrecognized tax liability on these foreign earnings, net of expected foreign tax credits, is immaterial as of April 30, 2021.

Changes in unrecognized tax benefits for fiscal years 2021, 2020 and 2019 are as follows:

Year ended April 30,	(in 000s)		
	2021		2020
Balance, beginning of the year	\$	168,062	\$ 185,144
Additions based on tax positions related to prior years		121,364	1,501
Reductions based on tax positions related to prior years		(34,470)	(10,128)
Additions based on tax positions related to the current year		43,800	12,093
Reductions related to settlements with tax authorities		(29,362)	(980)
Expiration of statute of limitations		(4,584)	(19,568)
Balance, end of the year	\$	264,810	\$ 168,062

The total gross unrecognized tax benefit ending balance as of April 30, 2021, 2020 and 2019, includes \$214.9 million, \$132.3 million and \$122.5 million, respectively, which if recognized, would impact our effective tax rate. The difference results from adjusting the gross balances for such items as federal, state and foreign deferred items, interest and deductible taxes. The current year additions in unrecognized tax benefits related to prior years are primarily related to net operating loss carryback allowed by the CARES Act. Reductions from prior year are primarily related to settlements with taxing authorities and expirations of statute of limitations.

We believe it is reasonably possible that the balance of unrecognized tax benefits could decrease by approximately \$69.8 million within the next twelve months. The anticipated decrease is due to the expiration of statutes of limitations, anticipated closure of various tax matters currently under examination, and settlements with tax authorities. For such matters where a change in the balance of unrecognized tax benefits is not yet deemed reasonably possible, no estimate has been included.

Interest and penalties, if any, accrued on the unrecognized tax benefits are reflected in income tax expense. The total gross interest and penalties accrued as of April 30, 2021, 2020 and 2019 totaled \$24.9 million, \$22.0 million and \$22.4 million, respectively.

## NOTE 10: COMMITMENTS AND CONTINGENCIES

All assisted tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client for penalties and interest attributable to an H&R Block error on a return. DIY tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client up to a maximum of \$10,000, if our software makes an arithmetic error that results in payment of penalties and/or interest to the IRS that a client would otherwise not have been required to pay. Our liability related to estimated losses under the 100% accuracy guarantee was \$12.2 million and \$9.4 million as of April 30, 2021 and 2020, respectively. The short-term and long-term portions of this liability are included in deferred revenue and other liabilities in the consolidated balance sheets.

Liabilities related to acquisitions for (1) estimated contingent consideration based on expected financial performance of the acquired business and economic conditions at the time of acquisition and (2) estimated accrued compensation related to continued employment of key employees were \$17.6 million and \$14.2 million as of April 30, 2021 and 2020, respectively, with amounts recorded in deferred revenue and other liabilities. These liabilities will be settled within the next ten years. Should actual results differ from our estimates, future payments made will differ from the above estimate and any differences will be recorded in results from continuing operations.

We have contractual commitments to fund certain franchises with approved revolving lines of credit. Our total obligation under these lines of credit was \$14.2 million as of April 30, 2021, and net of amounts drawn and outstanding, our remaining commitment to fund totaled \$6.1 million.

Both the U.S. and Canada implemented emergency economic relief programs as a way of minimizing the economic impact of the global COVID-19 pandemic. In the U.S., the CARES Act included, among other items, provisions relating to refundable payroll tax credits and deferment of certain tax payments through the end of calendar 2020. In Canada the COVID-19 Economic Response Plan includes the Canada Emergency Wage Subsidy (CEWS). For our U.S. businesses we have elected to defer the employer-paid portion of social security taxes and are evaluating the employee retention credit, and in Canada we have received \$15.9 million in wage subsidies during the year ended April 30, 2021, which has been treated as a government subsidy to offset related operating expenses.

We are self-insured for certain risks, including, employer provided medical benefits, workers' compensation, property and casualty, tax errors and omissions, and claims related to POM. These programs maintain various self-insured retentions. For all but POM in company-owned offices, commercial insurance is purchased in excess of the self-insured retentions. We accrue estimated losses for self-insured retentions using actuarial models and assumptions based on historical loss experience.

We have a deferred compensation plan that permits certain employees to defer portions of their compensation and accrue income on the deferred amounts. Included in deferred revenue and other liabilities is \$15.0 million and \$15.1 million as of April 30, 2021 and 2020, respectively, reflecting our obligation under these plans.

On August 5, 2020, we entered into a Program Management Agreement with Meta. Under the Program Management Agreement and its ancillary agreements and related product schedules, Meta acts as the bank provider of H&R Block-branded financial products. EAs are originated by Meta, and pursuant to our participation agreement, we purchase a 90% participation interest in each advance made by Meta. See [note 4](#) for additional information about these balances.

Refund Advance loans are originated by Meta and offered to certain assisted U.S. tax preparation clients, based on client eligibility as determined by Meta. We pay fees based on loan size and customer type. The fees are intended to cover expected loan losses and payments to capital providers, among other items. We have provided two guarantees related to this agreement. We have provided a guarantee up to \$18.0 million related to certain loans to clients prior to the IRS accepting electronic filing. We accrued an estimated liability of \$2.6 million at April 30, 2021 related to this guarantee. Additionally, we provided a guarantee for loans to virtual assisted clients. There is no maximum exposure under this guarantee. At April 30, 2021, we had no amounts accrued under this guarantee and we do not expect that a material amount will be paid for this guarantee under anticipated loss scenarios. As of April 30, 2020, we had accrued \$5.4 million under the RA guarantee arrangements with our prior bank partner, and we paid \$2.1 million, net of recoveries, related to that guarantee during the fiscal year ended April 30, 2021.

We offer POM to U.S. and Canadian clients, whereby we (1) represent our clients if they are audited by a taxing authority, and (2) assume the cost, subject to certain limits, of additional taxes owed by a client resulting from errors attributable to H&R Block. The additional taxes paid under POM have a cumulative limit of \$6,000 for U.S. clients and \$3,000 CAD for Canadian clients with respect to the federal, state/provincial and local tax returns we prepared for applicable clients during the taxable year protected by POM. A loss on POM would be recognized if the sum of expected costs for services exceeded unearned revenue.

## NOTE 11: LEASES

For the year ended April 30, 2021, and 2020, our lease costs consisted of the following:

			(in 000s)	
Year ended April 30,			2021	2020
Operating lease costs	\$	239,357	\$	242,314
Variable lease costs		77,758		71,319
Subrental income		(650)		(1,277)
Total lease costs	\$	316,465	\$	312,356

As disclosed in our Annual Report on Form 10-K for the fiscal year ended April 30, 2019, our rent expense for fiscal year 2019 totaled \$255.0 million.

Other information related to operating leases for the fiscal years 2021 and 2020 are as follows:

			(dollars in 000s)	
Year ended April 30,			2021	2020
Cash paid for operating lease costs	\$	240,299	\$	223,080
New operating right of use assets and related lease liabilities <sup>(1)</sup>	\$	167,827	\$	345,079
Weighted-average remaining operating lease term (years)		3		3
Weighted-average operating lease discount rate		3.0 %		3.3 %

<sup>(1)</sup> The new operating right of use assets and related lease liabilities for the year ended April 30, 2020 excludes the initial impacts of the adoption of ASU 2016-02. The decrease from the prior year is due to the timing of the renegotiation of lease contracts approaching expiration.

Aggregate operating lease maturities as of April 30, 2021 are as follows:

	(in 000s)	
2022	\$	215,610
2023		137,824
2024		73,066
2025		27,219
2026		3,713
2027 and thereafter		5,633
Total future undiscounted operating lease payments		463,065
Less imputed interest		(14,046)
Total operating lease liabilities	\$	449,019

## NOTE 12: LITIGATION AND OTHER RELATED CONTINGENCIES

We are a defendant in numerous litigation matters, arising both in the ordinary course of business and otherwise, including as described below. The matters described below are not all of the lawsuits to which we are subject. In some of the matters, very large or indeterminate amounts, including punitive damages, are sought. U.S. jurisdictions permit considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. We believe that the monetary relief which may be specified in a lawsuit or a claim bears little relevance to its merits or disposition value due to this variability in pleadings and our experience in litigating or resolving through settlement of numerous claims over an extended period of time.

The outcome of a litigation matter and the amount or range of potential loss at particular points in time may be difficult to ascertain. Among other things, uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

In addition to litigation matters, we are also subject to claims and other loss contingencies arising out of our business activities, including as described below.

We accrue liabilities for litigation, claims, including indemnification and contribution claims, and other related loss contingencies and any related settlements (each referred to, individually, as a "matter" and, collectively, as "matters") when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. If a range of loss is estimated, and some amount within that range appears to be a better estimate than any other amount within that range, then that amount is accrued. If no amount within the range can be identified as a better estimate than any other amount, we accrue the minimum amount in the range.

For such matters where a loss is believed to be reasonably possible, but not probable, or the loss cannot be reasonably estimated, no accrual has been made. It is possible that such matters could require us to pay damages or make other expenditures or accrue liabilities in amounts that could not be reasonably estimated as of April 30, 2021. While the potential future liabilities could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known, we do not believe any such liabilities are likely to have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows. As of April 30, 2021 and 2020, our total accrued liabilities were \$5.5 million and \$1.6 million, respectively.

Our estimate of the aggregate range of reasonably possible losses includes (1) matters where a liability has been accrued and there is a reasonably possible loss in excess of the amount accrued for that liability, and (2) matters where a liability has not been accrued but we believe a loss is reasonably possible. This aggregate range only represents those losses as to which we are currently able to estimate a reasonably possible loss or range of loss. It does not represent our maximum loss exposure.

Matters for which we are not currently able to estimate the reasonably possible loss or range of loss are not included in this range. We are often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the reasonably possible loss or range of loss, such as precise information about the amount of damages or other remedies being asserted, the defenses to the claims being asserted, discovery from other parties and investigation of factual allegations, rulings by courts on motions or appeals, analysis by experts, or the status or terms of any settlement negotiations.

The estimated range of reasonably possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, as well as known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. As of April 30, 2021, we believe the estimate of the aggregate range of reasonably possible losses in excess of amounts accrued, where the range of loss can be estimated, is not material.

On a quarterly and annual basis, we review relevant information with respect to litigation and other loss contingencies and update our accruals, disclosures, and estimates of reasonably possible loss or range of loss

based on such reviews. Costs incurred with defending matters are expensed as incurred. Any receivable for insurance recoveries is recorded separately from the corresponding liability, and only if recovery is determined to be probable and reasonably estimable.

We believe we have meritorious defenses to the claims asserted in the various matters described in this note, and we intend to defend them vigorously. The amounts claimed in the matters are substantial, however, and there can be no assurances as to their outcomes. In the event of unfavorable outcomes, it could require modifications to our operations; in addition, the amounts that may be required to be paid to discharge or settle the matters could be substantial and could have a material adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

#### LITIGATION, CLAIMS OR OTHER LOSS CONTINGENCIES PERTAINING TO CONTINUING OPERATIONS –

**Free File Litigation.** On May 6, 2019, the Los Angeles City Attorney filed a lawsuit on behalf of the People of the State of California in the Superior Court of California, County of Los Angeles (Case No. 19STCV15742). The case is styled *The People of the State of California v. HRB Digital LLC, et al.* The complaint alleges that H&R Block, Inc. and HRB Digital LLC engaged in unfair, fraudulent and deceptive business practices and acts in connection with the IRS Free File Program in violation of the California Unfair Competition Law, California Business and Professions Code §§17200 *et seq.* The complaint seeks injunctive relief, restitution of monies paid to H&R Block by persons in the State of California who were eligible to file under the IRS Free File Program for the time period starting 4 years prior to the date of the filing of the complaint, pre-judgment interest, civil penalties and costs. The City Attorney subsequently dismissed H&R Block, Inc. from the case and amended its complaint to add HRB Tax Group, Inc. We filed a motion to stay the case based on the primary jurisdiction doctrine, which was denied. A trial date has been set for August 9, 2022. We have not concluded that a loss related to this matter is probable, nor have we accrued a liability related to this matter.

On May 17, 2019, a putative class action complaint was filed against H&R Block, Inc., HRB Tax Group, Inc. and HRB Digital LLC in the Superior Court of the State of California, County of San Francisco (Case No. CGC-19576093). The case is styled *Snarr v. HRB Tax Group, Inc., et al.* The case was removed to the United States District Court for the Northern District of California on June 21, 2019 (Case No. 3:19-cv-03610-SK). The plaintiff filed a first amended complaint on August 9, 2019, dropping H&R Block, Inc. from the case. In the amended complaint, the plaintiff seeks to represent classes of all persons, between May 17, 2015 and the present, who (1) paid to file one or more federal tax returns through H&R Block's internet-based filing system, (2) were eligible to file those tax returns for free through the H&R Block Free File offer of the IRS Free File Program, and (3) resided in and were citizens of California at the time of the payments. The plaintiff generally alleges unlawful, unfair, fraudulent and deceptive business practices and acts in connection with the IRS Free File Program in violation of the California Consumers Legal Remedies Act, California Civil Code §§1750, *et seq.*, California False Advertising Law, California Business and Professions Code §§17500, *et seq.*, and California Unfair Competition Law, California Business and Professions Code §§17200 *et seq.* The plaintiff seeks declaratory and injunctive relief, restitution, compensatory damages, punitive damages, interest, attorneys' fees and costs. We filed a motion to stay the proceedings based on the primary jurisdiction doctrine and a motion to compel arbitration, both of which were denied. Our appeal of the court's order on the motion to compel arbitration was denied; we filed a petition for review with the United States Supreme Court. We filed an answer to the amended complaint. We filed a renewed motion to compel arbitration, which the court denied on May 13, 2021. We also filed a motion to dismiss the plaintiff's claim for public injunctive relief, which is pending. A trial date is set for June 6, 2023. We have not concluded that a loss related to this matter is probable, nor have we accrued a liability related to this matter.

On September 26, 2019, a putative class action complaint was filed against H&R Block, Inc., HRB Tax Group, Inc., HRB Digital LLC and Free File, Inc. in the United States District Court for the Western District of Missouri (Case No. 4:19-cv-00788-GAF) styled *Swanson v. H&R Block, Inc., et al.* The plaintiff seeks to represent both a nationwide class and a California subclass of all persons eligible for the IRS Free File Program who paid to use an H&R Block product to file an online tax return for the 2002 through 2018 tax filing years. The plaintiff generally alleges unlawful, unfair, fraudulent and deceptive business practices and acts in connection with the IRS Free File Program in violation of the California Consumers Legal Remedies Act, California Civil Code §§1750, *et seq.*, California False Advertising Law, California Business and Professions Code §§17500, *et seq.*, California Unfair Competition Law, California Business and Professions Code §§17200, *et seq.*, in addition to breach of contract and fraud. The plaintiff

seeks injunctive relief, disgorgement, compensatory damages, statutory damages, punitive damages, interest, attorneys' fees and costs. The court granted a motion to dismiss filed by defendant Free File, Inc. for lack of personal jurisdiction. The court granted our motion to compel arbitration and stayed the case pending the outcome of arbitration. We have not concluded that a loss related to this matter is probable, nor have we accrued a liability related to this matter.

We have also received and are responding to certain governmental inquiries relating to the IRS Free File Program.

**LITIGATION, CLAIMS, INCLUDING INDEMNIFICATION AND CONTRIBUTION CLAIMS, OR OTHER LOSS CONTINGENCIES PERTAINING TO DISCONTINUED MORTGAGE OPERATIONS** – Although SCC ceased its mortgage loan origination activities in December 2007 and sold its loan servicing business in April 2008, SCC or the Company has been, remains, and may in the future be, subject to litigation, claims, including indemnification and contribution claims, and other loss contingencies pertaining to SCC's mortgage business activities that occurred prior to such termination and sale. These lawsuits, claims, and other loss contingencies include actions by regulators, third parties seeking indemnification or contribution, including depositors, underwriters, and securitization trustees, individual plaintiffs, and cases in which plaintiffs seek to represent a class of others alleged to be similarly situated. Among other things, these lawsuits, claims, and contingencies allege or may allege discriminatory or unfair and deceptive loan origination and servicing (including debt collection, foreclosure, and eviction) practices, other common law torts, rights to indemnification or contribution, breach of contract, violations of securities laws, and violations of a variety of federal statutes, including the Truth in Lending Act (TILA), Equal Credit Opportunity Act, Fair Housing Act, Real Estate Settlement Procedures Act (RESPA), Home Ownership & Equity Protection Act (HOEPA), as well as similar state statutes. It is difficult to predict either the likelihood of new matters being initiated or the outcome of existing matters. In many of these matters it is not possible to estimate a reasonably possible loss or range of loss due to, among other things, the inherent uncertainties involved in these matters, some of which are beyond the Company's control, and the indeterminate damages sought in some of these matters.

Mortgage loans originated by SCC were sold either as whole loans to single third-party buyers, who generally securitized such loans, or in the form of residential mortgage-backed securities (RMBSs). In connection with the sale of loans and/or RMBSs, SCC made certain representations and warranties. Claims under these representations and warranties together with any settlement arrangements related to these losses are collectively referred to as "representation and warranty claims." The statute of limitations for a contractual claim to enforce a representation and warranty obligation is generally six years or such shorter limitations period that may apply under the law of a state where the economic injury occurred. On June 11, 2015, the New York Court of Appeals, New York's highest court, held in *ACE Securities Corp. v. DB Structured Products, Inc.*, that the six-year statute of limitations under New York law starts to run at the time the representations and warranties are made, not the date when the repurchase demand was denied. This decision applies to claims and lawsuits brought against SCC where New York law governs. New York law governs many, though not all, of the RMBS transactions into which SCC entered. However, this decision would not affect representation and warranty claims and lawsuits SCC has received or may receive, for example, where the statute of limitations has been tolled by agreement or a suit was timely filed.

In response to the statute of limitations rulings in the *ACE* case and similar rulings in other state and federal courts, parties seeking to pursue representation and warranty claims or lawsuits have sought, and may in the future seek, to distinguish certain aspects of the *ACE* decision, pursue alternate legal theories of recovery, or assert claims against other contractual parties such as securitization trustees. For example, a 2016 ruling by a New York intermediate appellate court, followed by the federal district court in the second Homeward case described below, allowed a counterparty to pursue litigation on additional loans in the same trust even though only some of the loans complied with the condition precedent of timely pre-suit notice and opportunity to cure or repurchase. Additionally, plaintiffs in litigation to which SCC is not party have alleged breaches of an independent contractual duty to provide notice of material breaches of representations and warranties and pursued separate claims to which, they argue, the statute of limitations ruling in the *ACE* case does not apply. The impact on SCC from alternative legal theories seeking to avoid or distinguish the *ACE* decision, or judicial limitations on the *ACE* decision, is unclear. SCC has not accrued liabilities for claims not subject to a tolling arrangement or not relating back to timely filed litigation.

On May 31, 2012, a lawsuit was filed by Homeward Residential, Inc. (Homeward) in the Supreme Court of the State of New York, County of New York, against SCC styled *Homeward Residential, Inc. v. Sand Canyon Corporation* (Index No. 651885/2012). SCC removed the case to the United States District Court for the Southern District of New York on June 28, 2012 (Case No. 12-cv-5067). The plaintiff, in its capacity as the master servicer for Option One Mortgage Loan Trust 2006-2 and for the benefit of the trustee and the certificate holders of such trust, asserts claims for breach of contract, anticipatory breach, indemnity, and declaratory judgment in connection with alleged losses incurred as a result of the breach of representations and warranties relating to SCC and to loans sold to the trust. The trust was originally collateralized with approximately 7,500 loans. The plaintiff seeks specific performance of alleged repurchase obligations or damages to compensate the trust and its certificate holders for alleged actual and anticipated losses, as well as a repurchase of all loans due to alleged misrepresentations by SCC as to itself and as to the loans' compliance with its underwriting standards and the value of underlying real estate. In response to a motion filed by SCC, the court dismissed the plaintiff's claims for breach of the duty to cure or repurchase, anticipatory breach, indemnity, and declaratory judgment. The case proceeded on the remaining claims. Representatives of a holder of certificates in the trust filed a motion to intervene to add H&R Block, Inc. to the lawsuit and assert claims against H&R Block, Inc. based on alter ego, corporate veil-piercing, and agency law. On February 12, 2018, the court denied the motion to intervene. Discovery in the case closed on September 30, 2019, with motions for summary judgment filed on December 6, 2019. On November 9, 2020, the court granted SCC's motion for summary judgment and dismissed Homeward's claims in their entirety as untimely under the applicable statute of limitations. Homeward appealed that ruling on December 4, 2020, and the appeal remains pending. We have not concluded that a loss related to this matter is probable, nor have we accrued a liability related to this matter.

On September 28, 2012, a second lawsuit was filed by Homeward in the United States District Court for the Southern District of New York against SCC styled *Homeward Residential, Inc. v. Sand Canyon Corporation* (Case No. 12-cv-7319). The plaintiff, in its capacity as the master servicer for Option One Mortgage Loan Trust 2006-3 and for the benefit of the trustee and the certificate holders of such trust, asserts claims for breach of contract and indemnity in connection with losses allegedly incurred as a result of the breach of representations and warranties relating to 96 loans sold to the trust. The trust was originally collateralized with approximately 7,500 loans. The plaintiff seeks specific performance of alleged repurchase obligations or damages to compensate the trust and its certificate holders for alleged actual and anticipated losses. In response to a motion filed by SCC, the court dismissed the plaintiff's claims for breach of the duty to cure or repurchase and for indemnification of its costs associated with the litigation. On September 30, 2016, the court granted a motion allowing the plaintiff to file a second amended complaint to include breach of contract claims with respect to 649 additional loans in the trust and to allow such claims with respect to other loans in the trust proven to be in material breach of SCC's representations and warranties. SCC filed a motion for reconsideration, followed by a motion for leave to appeal the ruling, both of which were denied. On October 6, 2016, the plaintiff filed its second amended complaint. In response to a motion filed by SCC, the court dismissed the plaintiff's claim for breach of one of the representations. The case proceeded on the remaining claims. Representatives of a holder of certificates in the trust filed a motion to intervene to add H&R Block, Inc. to the lawsuit and assert claims against H&R Block, Inc. based on alter ego, corporate veil-piercing, and agency law. On February 12, 2018, the court denied the motion to intervene. The settlement payments that were made in fiscal year 2018 for representation and warranty claims related to some of the loans in this case. Discovery in the case closed on September 30, 2019, with motions for summary judgment filed on December 6, 2019. On November 9, 2020, the court granted SCC's motion for summary judgment and dismissed Homeward's claims in their entirety as untimely under the applicable statute of limitations. Homeward appealed that ruling on December 4, 2020, and the appeal remains pending. We have not concluded that a loss related to this matter is probable, nor have we accrued a liability related to this matter.

Parties, including underwriters, depositors, and securitization trustees, are, or have been, involved in multiple lawsuits, threatened lawsuits, and settlements related to securitization transactions in which SCC participated. A variety of claims are alleged in these matters, including violations of federal and state securities laws and common law fraud, based on alleged materially inaccurate or misleading disclosures, that originators, depositors, securitization trustees, or servicers breached their representations and warranties or otherwise failed to fulfill their obligations, or that securitization trustees violated statutory requirements by failing to properly protect the certificate holders' interests. SCC has received notices of claims for indemnification or potential indemnification obligations relating to such matters, including lawsuits or settlements to which underwriters, depositors, or



securitization trustees are party. Additional lawsuits against the parties to the securitization transactions may be filed in the future, and SCC may receive additional notices of claims for indemnification, contribution or similar obligations with respect to existing or new lawsuits or settlements of such lawsuits or other claims. Certain of the notices received included, and future notices may include, a reservation of rights to assert claims for contribution, which are referred to herein as "contribution claims." Contribution claims may become operative if indemnification is unavailable or insufficient to cover all of the losses and expenses involved. We have not concluded that a loss related to any of these indemnification or contribution claims is probable, nor have we accrued a liability related to any of these claims.

If the amount that SCC is ultimately required to pay with respect to claims and litigation related to its past sales and securitizations of mortgage loans, together with payment of SCC's related administration and legal expense, exceeds SCC's net assets, the creditors of SCC, other potential claimants, or a bankruptcy trustee if SCC were to file or be forced into bankruptcy, may attempt to assert claims against us for payment of SCC's obligations. Claimants may also attempt to assert claims against or seek payment directly from the Company even if SCC's assets exceed its liabilities. SCC's principal assets, as of April 30, 2021, total approximately \$270 million and consist of an intercompany note receivable. We believe our legal position is strong on any potential corporate veil-piercing arguments; however, if this position is challenged and not upheld, it could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**OTHER** — We are from time to time a party to litigation, claims and other loss contingencies not discussed herein arising out of our business operations. These matters may include actions by state attorneys general, other state regulators, federal regulators, individual plaintiffs, and cases in which plaintiffs seek to represent others who may be similarly situated.

While we cannot provide assurance that we will ultimately prevail in each instance, we believe the amount, if any, we are required to pay to discharge or settle these other matters will not have a material adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

## NOTE 13: SUBSEQUENT EVENTS

On June 9, 2021, the Board of Directors approved a change of the Company's fiscal year end from April 30 to June 30, effective immediately. The Company plans to file a transition report on Form 10-QT for the transition period of May 1, 2021 through June 30, 2021. The Company's 2022 fiscal year will begin on July 1, 2021 and end on June 30, 2022.

On June 11, 2021, we entered into a Fourth Amended and Restated Credit and Guarantee Agreement, which amended and restated the existing CLOC, extending the scheduled maturity date to June 11, 2026, decreasing the aggregate principal amount to \$1.5 billion, revising the applicable rate table, and adjusting the covenant measurement dates due to our fiscal year end change. Other material terms remain substantially unchanged from our existing CLOC.

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

There were no disagreements or reportable events requiring disclosure pursuant to Item 304(b) of Regulation S-K.

### ITEM 9A. CONTROLS AND PROCEDURES

**(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES** – We have established disclosure controls and procedures (Disclosure Controls) to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed to ensure that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Disclosure Controls were designed to provide reasonable assurance that the controls and procedures would meet their objectives. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system,

no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusions of two or more people or by management override of the control. Because of the inherent limitations in a cost-effective, maturing control system, misstatements due to error or fraud may occur and not be detected.

As of the end of the period covered by this Form 10-K, management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operations of our Disclosure Controls. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded our Disclosure Controls were effective as of the end of the period covered by this Annual Report on Form 10-K.

**(b) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING** – Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of April 30, 2021 based on the criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), using the 2013 framework.

Based on our assessment, our Chief Executive Officer and Chief Financial Officer concluded that, as of April 30, 2021, the Company's internal control over financial reporting was effective based on the criteria set forth by COSO.

The Company's external auditors that audited the consolidated financial statements included in [Item 8](#), Deloitte & Touche LLP, an independent registered public accounting firm, have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears near the beginning of [Item 8](#).

**(c) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING** – During the quarter ended April 30, 2021, there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

None.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our executive officers is included under the caption "Information About Our Executive Officers" in [Item 1](#) of this report on Form 10-K.

The following information appearing in our definitive proxy statement, to be filed no later than 120 days after April 30, 2021, is incorporated herein by reference:

- Information appearing under the heading "Proposal 1 – Election of Directors";
- Information appearing under the heading "Delinquent Section 16(a) Reports" (if applicable); and
- Information appearing under the heading "Board of Directors' Meetings and Committees" regarding identification of the Audit Committee and Audit Committee financial experts.

We have adopted a Code of Business Ethics and Conduct that applies to our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and persons performing similar functions. A copy of the Code of Business Ethics and Conduct is available on our website at

[www.hrblock.com](http://www.hrblock.com). We intend to provide information on our website regarding amendments to, or waivers under, the Code of Business Ethics and Conduct.

## **ITEM 11. EXECUTIVE COMPENSATION**

The information called for by this item is contained in our definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after April 30, 2021, in the sections entitled "Director Compensation," "Director Compensation Table," "Compensation Discussion and Analysis," "Compensation Committee Report," "Compensation Committee Interlocks and Insider Participation," "Risk Assessment in Compensation Programs," and "Executive Compensation," and is incorporated herein by reference.

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

The information called for by this item is contained in our definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after April 30, 2021, in the sections entitled "Equity Compensation Plans" and "Information Regarding Security Holders," and is incorporated herein by reference.

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

The information called for by this item is contained in our definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after April 30, 2021, in the sections entitled "Employment Agreements, Change in Control and Other Arrangements," "Review of Related Person Transactions," and "Corporate Governance," and is incorporated herein by reference.

## **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information called for by this item is contained in our definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after April 30, 2021, in the section entitled "Audit Fees," and is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBIT INDEX

The following exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

- 2.1 [Share Purchase Agreement, dated June 10, 2019, by and among Blue Fountains International, ULC, HRB Tax Group, Inc., Wave Financial Inc., the Shareholders of Wave Financial Inc., and Shareholder Representative Services LLC, a Colorado limited liability company \(as the Shareholders' Representative\), filed as Exhibit 2.1 to the Company's current report on Form 8-K filed June 11, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 3.1 [Amended and Restated Articles of Incorporation of H&R Block, Inc., as amended through September 12, 2013, filed as Exhibit 3.1 to the Company's current report on Form 8-K filed September 16, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 3.2 [Amended and Restated Bylaws of H&R Block, Inc., as amended through July 14, 2015, filed as Exhibit 3.1 to the Company's current report on Form 8-K filed July 16, 2015, file number 1-06089, is incorporated herein by reference.](#)
- 4.1 [Indenture dated as of October 20, 1997, among H&R Block, Inc., Block Financial Corporation and Bankers Trust Company, as Trustee, filed as Exhibit 4\(a\) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1997, file number 1-06089, is incorporated herein by reference.](#)
- 4.2 [First Supplemental Indenture, dated as of April 18, 2000, among H&R Block, Inc., Block Financial Corporation, Bankers Trust Company and the Bank of New York, filed as Exhibit 4\(a\) to the Company's current report on Form 8-K filed April 17, 2000, file number 1-06089, is incorporated herein by reference.](#)
- 4.3 [Second Supplemental Indenture, dated September 30, 2015, among H&R Block, Inc., Block Financial LLC \(formerly known as Block Financial Corporation\), Deutsche Bank Trust Company Americas \(formerly known as Bankers Trust Company\) and U.S. Bank National Association, as separate trustee, filed as Exhibit 4.1 to the Company's current report on Form 8-K filed September 30, 2015, file number 1-06089, is incorporated herein by reference.](#)
- 4.4 [Third Supplemental Indenture, dated August 7, 2020, among H&R Block, Inc., Block Financial LLC \(formerly known as Block Financial Corporation\), Deutsche Bank Trust Company Americas \(formerly known as Bankers Trust Company\) and U.S. Bank National Association, as separate trustee, filed as Exhibit 4.1 to the Company's current report on Form 8-K filed August 7, 2020, file number 1-06089, is incorporated herein by reference.](#)
- 4.5 [Officer's Certificate, dated October 25, 2012, in respect of 5.50% Notes due 2022 of Block Financial LLC, filed as Exhibit 4.1 to the Company's current report on Form 8-K filed October 25, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 4.6 [Officers' Certificate, dated September 30, 2015, of Block Financial LLC \(including the Form of the 4.125% Note due 2020 and the Form of the 5.250% Note due 2025\), filed as Exhibit 4.2 to the Company's current report on Form 8-K filed September 30, 2015, file number 1-06089, is incorporated herein by reference.](#)
- 4.7 [Officers' Certificate, dated August 7, 2020, of Block Financial LLC \(including the Form of the 3.875% Notes due 2030\), filed as Exhibit 4.2 to the Company's current report on Form 8-K filed August 7, 2020, file number 1-06089, is incorporated herein by reference.](#)
- 4.8 [Form of 5.50% Note due 2022 of Block Financial LLC, filed as Exhibit 4.2 to the Company's current report on Form 8-K filed October 25, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 4.9 [Form of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4\(e\) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, file number 1-06089, is incorporated herein by reference.](#)
- 4.10 [Form of Certificate of Amendment of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4\(j\) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1998, file number 1-06089, is incorporated herein by reference.](#)
- 4.11 [Form of Certificate of Designation, Preferences and Rights of Delayed Convertible Preferred Stock of H&R Block, Inc., filed as Exhibit 4\(f\) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, file number 1-06089, is incorporated herein by reference.](#)
- 4.12 [Description of Securities.](#)
- 10.1 \* [2013 Long-Term Incentive Plan, as amended and restated on March 6, 2013, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.2 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Deferred Stock Units, as approved on September 12, 2013, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2013, file number 1-06089, is incorporated herein by reference.](#)

- 10.3 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, as approved on July 18, 2016, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed July 22, 2016, file number 1-06089, is incorporated herein by reference.](#)
- 10.4 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 19, 2017, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.5 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, as approved on June 19, 2017, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.6 \* [Alternate Form of 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 19, 2017, filed as Exhibit 10.5 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.7 \* [The Company's 2003 Long-Term Executive Compensation Plan, as amended September 30, 2010, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2010, file number 1-06089, is incorporated herein by reference.](#)
- 10.8 \* [First Amendment to the Company's 2003 Long-Term Executive Compensation Plan, effective May 10, 2012, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed May 11, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.9 \* [Form of 2003 Long-Term Executive Compensation Plan Grant Agreement for Stock Options, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2011, file number 1-06089, is incorporated herein by reference.](#)
- 10.10 \* [Form of 2003 Long-Term Executive Compensation Plan Grant Agreement for Stock Options as approved on June 20, 2012, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 26, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.11 \* [H&R Block Deferred Compensation Plan for Executives, as amended and restated on November 9, 2012, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.12 \* [The Amended and Restated H&R Block Executive Performance Plan, filed as Exhibit 10.8 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 10.13 \* [The H&R Block, Inc. 2000 Employee Stock Purchase Plan, as amended and restated on March 2, 2020, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2020, file number 1-06089, is incorporated herein by reference.](#)
- 10.14 \* [The H&R Block, Inc. Executive Survivor Plan \(as Amended and Restated January 1, 2001\) filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2000, file number 1-06089, is incorporated herein by reference.](#)
- 10.15 \* [First Amendment to the H&R Block, Inc. Executive Survivor Plan \(as Amended and Restated\) effective as of July 1, 2002, filed as Exhibit 10.9 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2002, file number 1-06089, is incorporated herein by reference.](#)
- 10.16 \* [Second Amendment to the H&R Block, Inc. Executive Survivor Plan \(as Amended and Restated\), effective as of March 12, 2003, filed as Exhibit 10.12 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2003, file number 1-06089, is incorporated herein by reference.](#)
- 10.17 \* [H&R Block Severance Plan, as amended and restated on May 15, 2021.](#)
- 10.18 \* [H&R Block Inc. Executive Severance Plan, as amended and restated effective November 7, 2019, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 10.19 \* [Form of Indemnification Agreement with Directors and Officers, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.20 \* [2008 Deferred Stock Unit Plan for Outside Directors, as amended on September 14, 2011, filed as Exhibit 10.27 to the Company's annual report on Form 10-K for the year ended April 30, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.21 \* [Employment Agreement dated August 21, 2017, between H&R Block, Inc., HRB Professional Resources LLC, and Jeffrey J. Jones II, including the 2013 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options for the Initial Option attached as Exhibit A, and the 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units for the Initial RSU Agreement attached as Exhibit B, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed August 22, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.22 \* [H&R Block, Inc. 2018 Long Term Incentive Plan, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed September 14, 2017, file number 1-06089, is incorporated herein by reference.](#)

- 10.23 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Deferred Stock Units, as approved on November 3, 2017, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.24 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed September 14, 2017, file number 1-06089, is incorporated herein by reference](#)
- 10.25 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 25, 2018, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.26 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on June 25, 2018, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.27 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 25, 2018, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.28 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, as approved on June 25, 2018, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.29 \* [Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 25, 2018, filed as Exhibit 10.5 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.30 \* [Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on June 25, 2018, filed as Exhibit 10.6 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.31 \* [Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 25, 2018, filed as Exhibit 10.7 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.32 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on June 20, 2019, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 10.33 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 20, 2019, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 10.34 \* [Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 20, 2019, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 10.35 \* [Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on June 20, 2019, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 10.36 \* [Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 20, 2019, filed as Exhibit 10.5 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 10.37 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Two-Year Restricted Share Units, as approved on June 20, 2019, filed as Exhibit 10.6 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by referenc](#)
- 10.38 \* [Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Two-Year Restricted Share Units, as approved on June 20, 2019, filed as Exhibit 10.7 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 10.39 [Third Amended and Restated Credit and Guarantee Agreement dated September 21, 2018, by and among Block Financial LLC, H&R Block, Inc., the lenders party thereto from time to time, and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed September 24, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.40 [Program Management Agreement, dated August 5, 2020, by and between Emerald Financial Services, LLC and MetaBank, N.A., filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2020, file number 1-06089, is incorporated herein by reference.](#)
- 21 [Subsidiaries of the Company.](#)
- 22 [List of Guarantor and Issuer Subsidiaries.](#)
- 23 [Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.](#)
- 31.1 [Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

31.2	<a href="#">Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification by Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification by Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Indicates management contracts, compensatory plans or arrangements.

## 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.

H&R BLOCK, INC.

/s/ Jeffrey J. Jones II  
Jeffrey J. Jones II  
President and Chief Executive Officer  
June 15, 2021

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 date indicated on June 15, 2021.

/s/ Jeffrey J. Jones II  
Jeffrey J. Jones II  
President, Chief Executive Officer  
and Director  
(principal executive officer)

/s/ Tony G. Bowen  
Tony G. Bowen  
Chief Financial Officer  
(principal financial officer)

/s/ Kellie J. Logerwell  
Kellie J. Logerwell  
Chief Accounting Officer  
(principal accounting officer)

/s/ Robert A. Gerard  
Robert A. Gerard  
Director, Chairman of the Board

/s/ Paul J. Brown  
Paul J. Brown  
Director

/s/ Sean H. Cohan  
Sean H. Cohan  
Director

/s/ Anuradha Gupta  
Anuradha Gupta  
Director

/s/ Richard A. Johnson  
Richard A. Johnson  
Director

/s/ Mia F. Mendis  
Mia F. Mendis  
Director

/s/ Yolande G. Piazza  
Yolande G. Piazza  
Director

/s/ Victoria J. Reich  
Victoria J. Reich  
Director

/s/ Bruce C. Rohde  
Bruce C. Rohde  
Director

/s/ Matthew E. Winter  
Matthew E. Winter  
Director

/s/ Christianna Wood  
Christianna Wood  
Director



## DESCRIPTION OF CAPITAL STOCK

The following is a brief description of the common stock, without par value, of H&R Block, Inc., a Missouri corporation (the "Company," "we," "us," or "our"), which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The brief description is based upon our amended and restated articles of incorporation, amended and restated bylaws, and provisions of applicable law. The following description does not purport to be complete and is subject to, and qualified in its entirety by, the full text of our amended and restated articles of incorporation (our "articles") and amended and restated bylaws (our "bylaws"), which we have filed as exhibits to our most recent Annual Report on Form 10-K and are incorporated by reference herein.

### GENERAL

The Company's authorized capital stock consists of 800,000,000 shares of common stock, without par value, and 6,000,000 shares of preferred stock, without par value, 1,200,000 shares of which have been designated as Participating Preferred Stock, and 500,000 shares of which have been designated as Delayed Convertible Preferred Stock.

### COMMON STOCK

#### Voting Rights

The holders of our common stock are entitled to one vote per share on any matter to be voted upon by shareholders. The holders of common stock are not entitled to cumulative voting rights with respect to the election of directors, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election.

#### Dividends

The holders of our common stock are entitled to such dividends as our Board of Directors may declare from time to time from legally available funds, subject to limitations under Missouri law and the preferential rights of the holders of any outstanding shares of preferred stock.

#### Liquidation

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of our common stock are entitled to share, on a pro rata basis, in all assets remaining after payment to creditors and subject to prior distribution rights granted to the holders of any outstanding shares of preferred stock.

#### No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, conversion or other rights to subscribe for additional securities and there are no redemption or sinking fund provisions applicable to our common stock.

#### Fully Paid and Non-assessable

All of the outstanding shares of common stock are fully paid and non-assessable.

## **PREFERRED STOCK**

Our Board of Directors is authorized, without any further action by our shareholders, but subject to the limitations imposed by The General and Business Corporation Law of Missouri (the "MGBCL"), to issue up to 6,000,000 shares of preferred stock in one or more classes or series. Our Board of Directors may fix the rights, preferences and privileges of the preferred stock, along with any limitations or restrictions, including voting rights, dividend rights, conversion rights, redemption privileges, and liquidation preferences of each class or series of preferred stock. The preferred stock could have voting or conversion rights that could adversely affect the voting power or other rights of holders of our common stock. Also, the issuance of preferred stock could decrease the amount of earnings and assets available for distribution to holders of our common stock.

## **CERTAIN EFFECTS OF AUTHORIZED BUT UNISSUED STOCK**

We may issue additional shares of common stock or preferred stock without shareholder approval, subject to applicable rules of the New York Stock Exchange and Missouri law, for a variety of corporate purposes, including future public or private offerings to raise capital, corporate acquisitions, and employee benefit plans and equity grants. The existence of unissued and unreserved common stock and preferred stock may enable us to issue shares to persons who are friendly to current management, which could discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger, or otherwise.

## **ANTI-TAKEOVER EFFECTS OF PROVISIONS OF OUR ARTICLES AND BYLAWS**

The following is a brief description of the provisions in our articles and bylaws that could have an effect of delaying, deferring, or preventing a change in control of the Company.

### **Size of Board**

Our articles and bylaws provide that the number of directors shall not be less than seven nor more than twelve, the exact number of which to be fixed by a resolution adopted by the affirmative vote of a majority of our whole Board of Directors.

### **Director Vacancies**

Our articles and bylaws provide that any vacancies on our Board of Directors and newly created directorships will be filled by the affirmative vote of a majority of the remaining directors, although less than a quorum, or by a sole remaining director.

### **Advance Notice for Shareholder Proposals and Nominations**

Our bylaws contain provisions requiring advance notice be delivered to the Company of any business to be brought by a shareholder before an annual meeting and providing for procedures to be followed by shareholders in nominating persons for election to our Board of Directors, including shareholder nominees to be included in our proxy statement. A shareholder must give notice no later than the 90<sup>th</sup> day nor earlier than the 120<sup>th</sup> days before the one-year anniversary of the date on which we held our annual meeting of shareholders the previous year. The notice must contain the information required by our bylaws, and the shareholder(s) and nominee(s) must comply with the information and other requirements required by our bylaws.

### **No Cumulative Voting**

Our bylaws do not provide for cumulative voting for our directors. The absence of cumulative voting may make it more difficult for shareholders owning less than a majority of our common stock to elect any directors to our Board.

### **Limitations on Liability of Directors; Indemnification of Directors and Officers**

Missouri law authorizes corporations to limit the personal liability of directors to corporations and shareholders for monetary damages for breaches of directors' fiduciary duties. Our articles and bylaws limit, to the fullest extent permitted by Missouri law, the liability of our directors to us or our shareholders for monetary damages for any breach of fiduciary duty as a director; provided that the foregoing does not eliminate or limit the liability of a director who has not met the applicable standard of conduct set forth in Sections 351.355.1 or 351.355.2 of the MGBCL.

Subject to certain limitations, our bylaws provide that our directors and officers must be indemnified and other persons may be indemnified and provide for the advancement to them of expenses incurred in connection with actual or threatened proceedings and claims arising out of their status as our director or officer, or if serving at our request, to the fullest extent permitted by Missouri law. In addition, Missouri law expressly authorizes us to purchase and maintain directors' and officers' insurance providing indemnification for our directors, officers, employees or agents or if serving at the request of such persons. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors, officers, employees and other agents.

The limitation of liability and indemnification provisions in our articles and bylaws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors, officers, employees and other agents, even though such an action, if successful, might otherwise benefit us and our shareholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors, officers, employees, and other agents pursuant to these indemnification provisions.

### **Approval of Transactions with Related Parties**

Our articles require the approval of the holders of not less than a majority of our issued and outstanding shares of capital stock entitled to vote on a matter to approve certain transactions with any shareholder owning 15% or more of our outstanding shares of capital stock at the time of approval of the transaction (a "Related Person"). The covered transactions include a merger, sale of 20% or more of the fair market value of our assets, issuance of securities, a reclassification that increases the voting power of the Related Person, any liquidation or dissolution, or any agreement to do the foregoing. Approval by a majority is not required in certain circumstances, including if the transaction has been approved by two-thirds of our directors who were also directors prior to the time that the Related Person became a Related Person or who subsequently became a director whose election was approved by a vote of a majority of such directors or if the transaction is a merger and the consideration is at a specified level.

### **MISSOURI STATUTORY PROVISIONS**

Missouri law also contains certain provisions which may have an anti-takeover effect and otherwise discourage third parties from effecting transactions with us, including those discussed below.

### **Limitations on Shareholder Action by Written Consent**

The MGBCL provides that any action by written consent of shareholders in lieu of a meeting must be unanimous.

### **Business Combination Statute**

The MGBCL contains a “business combination statute” which restricts certain “business combinations” between us and an “interested shareholder,” or affiliates or associates of the interested shareholder, for a period of five years after the date of the transaction in which the person becomes an interested shareholder, unless either such transaction or the interested shareholder’s acquisition of stock is approved by our board on or before the date the interested shareholder obtains such status.

The statute also prohibits business combinations after the five-year period following the transaction in which the person becomes an interested shareholder unless the business combination or purchase of stock prior to becoming an interested shareholder is approved by our board prior to the date the interested shareholder obtains such status. The statute provides that, after the expiration of such five-year period, business combinations are prohibited unless:

- the holders of a majority of the outstanding voting stock, other than the stock owned by the interested shareholder, approve the business combination; or
- the business combination satisfies certain detailed fairness and procedural requirements.

A “business combination” for this purpose includes a merger or consolidation, some sales, leases, exchanges, pledges and similar dispositions of corporate assets or stock, the liquidation or dissolution of the corporation by the interested shareholder or any of its affiliates or associates, any reclassifications, recapitalizations or other transactions that increase the proportionate voting power of the interested shareholder, and the receipt of any benefit of any loans, advances or other financial assistance, or tax advantages by the corporation where such benefit is not proportional to the other shareholders of the corporation. An “interested shareholder” for this purpose generally means any person, other than the corporation or its subsidiaries, who, together with its, his, or her affiliates and associates, owns or controls, or by agreement or other understanding has the right to own or control in the future, 20% or more of the outstanding shares of the corporation’s voting stock, including affiliates or associates of such corporation who possessed such ownership or control, or right of ownership or control, within the five-year period prior to the date of the transaction at issue.

A Missouri corporation may opt out of coverage by the business combination statute by including a provision to that effect in its articles of incorporation. We have not done so.

The business combination statute may make it more difficult for a 20% beneficial owner to effect other transactions with us and may encourage persons that seek to acquire us to negotiate with our board prior to acquiring a 20% interest. It is possible that such a provision could make it more difficult to accomplish a transaction which shareholders may otherwise deem to be in their best interest.

### **Control Share Acquisition Statute**

The MGBCL also has a “control share acquisition statute.” This statute may limit the rights of a shareholder to vote some or all of his shares. A shareholder whose acquisition of shares results in that shareholder having voting power, when added to the shares previously held by such shareholder, except the shares owned or controlled for more than ten years prior to the date of the control share acquisition, to exercise or direct the exercise of more than a specified percentage of our outstanding stock (beginning at 20%) will lose the right to vote some or all of his shares in excess of such percentage unless the shareholders approve the acquisition of such shares.

In order for the shareholders to grant approval, the acquiring shareholder must meet certain disclosure requirements specified in the statute. In addition, a majority of the outstanding voting shares, as determined before the acquisition, must approve the acquisition. Furthermore, a majority of the outstanding voting shares, as determined after the acquisition, but excluding shares held by (i) the acquiring shareholder or a member of a group of acquiring shareholders, (ii) employee directors or (iii) officers appointed by the board of directors, must approve the acquisition. If the acquisition is approved, the statute grants certain rights to dissenting shareholders.

Not all acquisitions of shares constitute control share acquisitions. The following acquisitions generally do not constitute control share acquisitions: (a) good faith gifts; (b) transfers in accordance with wills or the laws of descent and distribution; (c) purchases made in connection with an issuance by us; (d) purchases by any compensation or benefit plan; (e) the conversion of debt securities; (f) purchases from holders of shares representing two-thirds of our voting power; provided such holders act simultaneously; (g) satisfaction of a pledge or other security interest created in good faith; (h) mergers involving us which satisfy the other requirements of the MGBCL; (i) transactions with a person who owned a majority of our voting power within the prior year; or (j) purchases from a person who previously satisfied the requirements of the control share statute, so long as the acquiring person does not have voting power after the ownership in a different ownership range than the selling shareholder prior to the sale.

A Missouri corporation may opt out of coverage by the control share acquisition statute by including a provision to that effect in its governing corporate documents. We have not done so.

#### **Take-Over Bid Disclosure Statute**

The MGBCL's “take-over bid disclosure statute” requires that, under some circumstances, including inapplicability of disclosure required by the Exchange Act, before making a tender offer that would result in the offeror owning or acquiring control of more than 5% of our outstanding stock, except for transactions by dealers in the ordinary course of business, an exchange for other securities that does not constitute a public offering under the Securities Act and is made in good faith, transactions with not more than 50 shareholder offerees made in good faith, and transactions by a shareholder who owns or controls a majority of our outstanding stock prior to such tender offer, the offeror must file certain disclosure materials with the Commissioner of the Securities Division of the Missouri Secretary of State.

#### **Other Constituency Considerations**

The MGBCL also contains a statute pursuant to which a board of directors, when exercising its business judgment concerning any “acquisition proposal,” may consider the following factors, among others: (a) the consideration being offered in the acquisition proposal in relation to the board's estimate of: (i) the current value of the corporation in a freely negotiated sale of either the corporation by

merger, consolidation or otherwise, or all or substantially all of the corporation's assets; (ii) the current value of the corporation if orderly liquidated; (iii) the future value of the corporation over a period of years as an independent entity discounted to current value; (b) then existing political, economic and other factors bearing on security prices generally or the current market value of the corporation's securities in particular; (c) whether the acquisition proposal might violate federal, state or local laws; (d) social, legal and economic effects on employees, suppliers, customers and others having similar relationships with the corporation, and the communities in which the corporation conducts its businesses; (e) the financial condition and earning prospects of the person making the acquisition proposal including the person's ability to service its debt and other existing or likely financial obligations; and (f) the competence, experience and integrity of the person making the acquisition proposal.

An "acquisition proposal" for this purpose includes any proposal of any person: (a) for a tender offer, exchange offer or other comparable offer for any equity securities of the corporation; (b) to merge or consolidate the corporation with another corporation; or (c) to purchase or otherwise acquire all or a substantial part of the assets of the corporation.

Our bylaws include a provision permitting our Board of Directors to consider non-price factors, such as those listed above, in connection with considering a tender offer for our stock.

#### **LISTING**

Our common stock is traded on the New York Stock Exchange under the symbol "HRB."

#### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for our common stock is Equiniti Trust Company d/b/a EQ Shareowner Services.

**H&R BLOCK SEVERANCE PLAN**  
**(Amended and Restated May 15, 2021)**

The H&R Block Severance Plan (the “Plan”) is a welfare benefit plan established by H&R Block Management, LLC to provide severance pay and benefits to certain employees of designated affiliates of H&R Block, Inc. to compensate for the involuntary loss of employment, subject to the terms and conditions set forth herein. The affiliates of H&R Block, Inc. whose employees are covered by the Plan are identified in Exhibit A and are collectively referred to in this Plan as the “Company”.

This document constitutes both the plan document and the summary plan description for the Plan. The Plan is an “employee welfare benefit plan” within the meaning of Section 3(1) of Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Your ERISA rights are described at the end of this document. This document is provided to you as required by ERISA. You should read all parts of this description carefully so that you will not only understand the ways in which the Plan may benefit you but also certain exclusions to coverage and limitations on the receipt of severance benefits which may apply to you. The Plan, as restated in this document, is effective as of May 15, 2021. Capitalized terms have the meanings assigned in this document.

This Plan supersedes and replaces any and all existing or prior severance or retention incentive plans, programs, policies or practices maintained by the Company or its predecessors for the employees covered by this Plan.

**1. ELIGIBILITY AND PARTICIPATION**

(a) Eligibility to Participate. In general, you will be an “Eligible Employee” for purposes of the Plan if you satisfy all of the following conditions:

1. You are actively employed by the Company in a regular (non-seasonal) position on a full or part-time basis;
2. You do not fall under the Executive Severance Plan;
3. You regularly work at least 20 hours per week;
4. You experience a Qualifying Termination; and
5. You are not excluded from participation under Section 1(b) below.

For purposes of determining Plan eligibility, the following definitions will apply:

- a “Qualifying Termination” is any involuntary termination of employment except for terminations resulting from: (1) your refusal to accept an offer of a Comparable Position with the Company following the elimination of your position, (2) your refusal to accept

an offer of a Comparable Position with any entity that acquires the Company, (3) a change to your position to a lower compensation rate or grade, including reclassification of your position from regular to seasonal, (4) your termination for Cause, or (5) the Company's non-renewal of any employment contract with you.

- A "Comparable Position" means a regular or seasonal position where your new primary work location is within fifty (50) miles of your prior primary work location and your new compensation rate (salary or hourly rate plus target bonus) is at least ninety (90%) of your prior compensation rate (salary or hourly rate plus target bonus).
- A termination for "Cause" includes any of the following: (1) your misconduct that may reasonably result in harm to the reputation of the Company or an affiliate; (2) your commission of an act of dishonesty or breach of trust resulting or intending to result in your material personal gain at the expense of the Company or an affiliate; (3) your commission of an act that is materially and demonstrably detrimental to the good will of the Company or an affiliate and that constitutes gross negligence or willful misconduct by you in the performance of the your duties; (4) your violation of the policies or procedures of the Company (e.g., the H&R Block Code of Business Ethics & Conduct); (5) your disobedience, insubordination or failure to perform your employment duties; (6) your conviction of, or entrance of a plea of guilty or no contest, to a misdemeanor (involving an act of moral turpitude) or a felony; (7) your inability, or the inability of the Company or any affiliate, to participate, in whole or in part, in any activity subject to governmental regulation as the result of any act or omission on your part; (8) your termination for poor performance; or (9) any other grounds for your termination of employment that the Plan Administrator classifies as "for Cause" in its sole discretion.

(b) Exclusions from Eligibility. You will not be eligible for a Severance Benefit under the Plan if:

1. You do not satisfy all of the eligibility criteria in Section 1(a) above;
2. You are classified by the Company as a seasonal, temporary, or inactive employee, or you are normally employed by the Company for less than twenty (20) hours per week;
3. You fail to properly execute, or you revoke, a separation agreement and release provided to you by the Plan Administrator ("Severance and Release Agreement");
4. You voluntarily terminate employment prior to the termination date specified by the Company in your Release and Severance Agreement (your "Termination Date") unless the Plan Administrator determines in its sole discretion that earlier voluntary termination or retirement is in the best interests of the Company;
5. You are terminated for Cause;
6. Your termination is the result of your dying or becoming permanently disabled (as defined by the Company's long-term disability plan, as in effect from time to time);



7. You either continue employment with the Company or one of its subsidiaries or affiliates or are offered and decline an offer for Comparable Employment; or

8. You are covered by any other severance pay policy, plan or, arrangement or by a written agreement signed by you and an authorized representative of the Company providing for severance or notice pay or providing for a specified term of employment.

(c) Commencement of Participation. If you are an Eligible Employee, you will become a Participant in the Plan when your Release and Severance Agreement becomes effective and irrevocable by its terms (the “Release Date”).

## 2. SEVERANCE BENEFITS

(a) Severance Benefits. If you meet the eligibility criteria and become a Participant as described above, you will be eligible to receive some or all of the severance benefits described below. The amount of severance benefits you will receive under the Plan generally will be determined in accordance with the guidelines set forth below (the sum total of your Plan benefits are referred to as your “Severance Benefit”). In general, your Severance Benefit may be comprised of some or all of the following, as outlined in more detail in your Release and Severance Agreement: (1) a Cash Component, (2) a COBRA Subsidy Component, (3) an STI Component, (4) an Equity Replacement Component; (5) an Outplacement Component, and/or (6) a Technology Component.

1. Cash Component. The Cash Component of your Severance Benefit is determined by multiplying your Weekly Pay by your Severance Period. Your “Severance Period” is the number of weeks equal to your Years of Service multiplied by two (e.g., if you have completed ten Years of Service, your Severance Period would be twenty weeks), subject to minimum and maximum amounts by pay grade as set forth in the table below:

Pay Band	Minimum Severance Period	Maximum Severance Period
Grade 600 to 690	26 weeks	52 weeks
Grade 500 to 590	13 weeks	
Grade 100 to 490	6 weeks	

For purposes of this Plan, your “Weekly Pay” will be determined as follows:

- Salaried Employees: The Eligible Employee’s current annual salary divided by fifty-two (52).
- Hourly-Paid Employees: The Eligible Employee’s current hourly rate multiplied by the number of hours the Eligible Employee is regularly scheduled to work per week, and then adding the Eligible Employee’s Average Incentive Compensation Amount

(if any) divided by fifty-two. The “Average Incentive Compensation Amount” is equal to the average of the Eligible Employee’s incentive compensation earnings for the two prior calendar years (determined as of each January 1) or, for an Eligible Employee with less than two years of incentive compensation earnings, the average of the total incentive compensation earned. For the avoidance of doubt, incentive compensation earnings refers to payments made pursuant to non-discretionary incentive compensation plan and does not include Short-Term Incentive payments.

For purposes of this Plan, a “Year of Service” means each twelve (12) consecutive month period of employment with the Company during which you completed one thousand or more Hours of Service, beginning on your most recent date of hire with the Company. You will be credited with a prorated Year of Service for the year during which your Termination Date occurs. For purposes of service determinations, an “Hour of Service” means each hour for which you were compensated by the Company for services rendered as a regular full or part-time employee. The Plan provides for both a minimum and a maximum number of Years of Service, and these limits apply regardless of your actual number of Years of Service.

If you have been rehired by the Company after having previously received any severance or benefits based on your service with the Company, any service taken into account when determining those benefits will not be credited as Years of Service under this Plan.

2. COBRA Subsidy Component. To the extent specified in your Release and Severance Agreement, your Severance Benefit may also include an additional payment intended to assist with any premiums for the continuation of group health coverage (medical, dental and vision) under the Company’s group health plan (the “COBRA Subsidy Component”) for the duration of your Severance Period. The amount of your COBRA Subsidy Component, if any, is equal to (1) the number of full or partial months in your Severance Period, multiplied by (2) the employer portion of the monthly premium for the group health coverage in effect for you, your spouse, and/or eligible dependents on your Termination Date, disregarding any federal legislation that requires the cost of coverage to be subsidized or that otherwise reduces the cost of such coverage. The maximum period for which the COBRA Subsidy Component will be payable is twelve (12) months.

Any COBRA Subsidy Component will be aggregated and paid with the Cash Component of your Severance Benefit. The COBRA Subsidy Component will be payable whether or not you elect to enroll in COBRA continuation coverage through the Company’s group health plan. You understand that it is your responsibility to make a timely election to continue your coverage (and, if applicable, coverage for your spouse and/or dependent children) under COBRA in accordance with the administrative policies and procedures adopted by the Company, and that you fail to make such a timely election, you will have waived your right to continuation coverage under COBRA.

3. STI Component. As specified in your Release and Severance Agreement, your Severance Benefit will include an additional payment equal to (1) your target annual incentive under the Company’s short-term incentive plan in effect for the year in which your Separation Date occurs divided by fifty-two, and multiplied by (2) your Severance Period. For

example an associate who has been with the Company for ten years with an annual incentive target of \$1,750 could receive an STI Component payment of \$673.08 ( $\$1,750 / 52 = \$33.65 \times 20 = \$673.08$  STI Component).

The STI Component is in lieu of any payment under the STI plan. The STI Component will be aggregated and paid with the Cash Component of your Severance Benefit.

4. Equity Settlement Component: To the extent specified in your Release and Severance Agreement, at the discretion of the Company, your Severance Benefit may include an additional payment equal to the "Settlement Value" of any outstanding unvested restricted share unit ("RSU") awards you hold on your Termination Date that are within six (6) months of the applicable vesting date. Any Settlement Value for your outstanding RSU awards will be determined as follows: (1) the number of outstanding unvested RSUs as of your Termination Date that would have become vested within six months of that date had your employment not ended, multiplied by (2) the closing price for one share of the Company's common stock the Friday prior to your Notification Date. If the stock market is closed on that Friday, the last trading day before that Friday will be used.

Your RSU awards, stock option awards, Market Stock Unit awards, or other equity awards that are outstanding on your Termination Date will either be forfeited or earned based on the terms of the applicable equity plan(s) and related individual award agreement(s).

The Equity Settlement Component, if any, will be aggregated and paid with the Cash Component of your Severance Benefit.

5. Outplacement Component: As specified in your Release and Severance Agreement, your Severance Benefit will include career transition counseling or outplacement services. Details of your counseling or outplacement benefits will be as set forth in your Release and Severance Agreement. All career transition and outplacement benefits available under the Plan will be provided "in kind" beginning on or after the Release Date through an outplacement vendor chosen by the Company and will not be subject to liquidation or conversion into cash in any event.

6. Technology Component. As part of your Severance Benefit, you will be permitted to retain any Company-issued laptop computer and/or mobile telephone following your Separation Date, subject to your return of any forms or other documentation specified by the Plan Administrator to complete the transfer of these devices to you. You may be required to temporarily surrender or provide access to any such devices to the Company for removal of any proprietary or Company-licensed software or applications as well as any proprietary or confidential Company or client information or data. The current fair market value of any device you are permitted to retain under this provision, as determined by the Plan Administrator in its sole discretion, will be reported to the applicable taxing authorities as imputed wage income. You will be responsible for the costs of maintaining and operating any devices you are allowed to retain. (Unlike the other Severance Benefits, your decision to retain your Company-issued laptop computer and/or mobile device is not dependent upon your properly executing, and declining to revoke the execution of, your Severance and Release Agreement.)

(b) Payment of Severance Benefits. If you meet the eligibility criteria and satisfy the conditions outlined above, the Cash, COBRA Subsidy, STI Components, and/or Equity Replacement Components of your Severance Benefit under this Plan will be paid to you in a single lump sum, net of applicable withholdings, on the first executable regularly-scheduled pay date occurring on or after the Release Date or as soon as administratively reasonable thereafter, provided that all conditions for receipt of benefits under this Plan have been satisfied on or prior to such payment date.

### **3. FAILURE TO EXECUTE A RELEASE**

All Severance Benefits available under the Plan, with the exception of the Technology Component, are in consideration of your execution of the Release and Severance Agreement in the form provided by the Plan Administrator. If you do not properly execute such a Release and Severance Agreement on or before the deadline specified therein, or if you timely revoke your execution, you will not be entitled to any of the benefits of this Plan. If you fail to comply with the terms of the Release, the Company reserves the right to withhold and terminate any unpaid Plan benefits (with the exception of legally-mandated benefits and the Technology Component) and to require you to repay any amounts you may have previously received under the Plan.

### **4. TERMINATION AND REPAYMENT OF SEVERANCE BENEFITS**

Your right to any benefit under this Plan is subject to and is expressly conditioned upon your agreement to abide by the restrictive covenants in your Release and Severance Agreement. If you violate the terms of your Release and Severance Agreement, you will be obligated to return any amounts or benefits received under this Plan within ten (10) business days of any written demand for repayment by the Company or the Plan Administrator.

## 5. OTHER IMPORTANT INFORMATION

(a) Plan Administration. The Company (or its delegate) will serve as the Plan Administrator. The Plan Administrator is the “named fiduciary” of the Plan for purposes of ERISA and will be subject to the fiduciary standards of ERISA when acting in such capacity. As the Plan Administrator, the Company has full discretionary authority to administer and interpret the Plan, including discretionary authority to determine eligibility for participation and for benefits under the Plan, the amount of benefits (if any) payable per participant, and to construe vague and/or ambiguous terms. When making a determination or calculation, the Plan Administrator shall, in its sole and absolute discretion, be entitled to rely upon information furnished by employees or other individuals or entities acting on their behalf. The Plan Administrator may delegate any or all of its administrative duties to a Company executive. Any such delegation will carry with it the full discretionary authority of the Plan Administrator to carry out the delegated duties. Any determination by the Plan Administrator or its delegate will be final and conclusive upon all persons and shall be given the maximum possible deference allowed by law. The Company will indemnify and hold harmless any person to whom it delegates its responsibilities as Plan Administrator; provided, however, such person does not act with gross negligence or willful misconduct.

(b) Non-Assignability. In no event may any current or former employee of the Company sell, transfer, anticipate, assign or otherwise dispose of any right or interest under the Plan. At no time will any such right or interest be subject to the claims of creditors nor liable to attachment, execution or other legal process. Any attempt to assign or attach any right or interest under the Plan shall be void and without effect.

(c) Coordination With Mandated and Other Benefits. Any advance notice or benefits provided under this Plan will, to the fullest extent permitted by law, be considered to be in satisfaction of, rather than in addition to, any federal, state, local, or contractual requirement (including advance notice requirements included in individual employee agreements and requirements under the Worker Adjustment and Retraining Notification Act (“WARN”) and similar state or local statutes) to provide advance notice or severance-type benefits. To the extent that notice or benefits provided under this Plan cannot be considered in satisfaction of any such requirements, the amount of notice and benefits under this Plan will be reduced by the amount of notice and benefits that are required to be given by federal, state or local law or applicable contractual requirements.

(d) Claims Procedure. Any employee or other person who believes he or she is entitled to any payment under the Plan may submit a claim in writing to the Plan Administrator. If the claim is denied (in full or in part), the claimant shall be provided a written or electronic response from the Plan Administrator. The Plan Administrator’s response shall include the following information:

1. The specific reason(s) for the denial;
2. Reference to the specific Plan provision(s) upon which the denial was based;

3. A description of any additional or material information that is necessary for the appeal of the denied claim to be successful, and an explanation of why this information is necessary;

4. A description of any voluntary appeal procedures available under the Plan and your right to receive information about them;

5. An explanation of the review procedure summarized below, including the time limits applicable to the review procedures and the claimant's rights to submit written comments and have them considered, the claimant's right to review (upon request and at no charge) relevant documents and other information; and

6. A statement that the claimant has a right to bring a civil action under ERISA Section 502(a) following a denial of an appeal of the claim.

If the Plan Administrator relied on an internal rule, guideline, protocol, or other similar criterion in denying the claim, then the Plan Administrator either will provide the claimant with a copy of the criterion or will notify the claimant that it relied on such a criterion and inform the claimant that he or she may request a copy of the criterion free of charge.

The denial notice shall be furnished to the claimant no later than ninety (90) days after receipt of the claim by the Plan Administrator, unless the Plan Administrator determines that special circumstances require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, then notice of the extension shall be furnished to the claimant prior to the termination of the initial ninety (90) day period. In no event shall such extension exceed a period of ninety (90) days from the end of such initial period. The notice shall inform the claimant of the following:

1. The special circumstances requiring the extension of time;
2. The date by which the claimant can expect a decision;
3. The standards for determining the claimant's entitlement to benefits;
4. The unresolved issue(s) that prevent a decision on the claim; and
5. A description of any additional information that the claimant needs to submit.

(e) Appeal Procedure. If the claimant's claim is denied, the claimant (or his or her authorized representative) may apply in writing to the Plan Administrator for a review of the decision denying the claim. The Plan Administrator shall afford the claimant a full and fair review of the decision denying the claim and, if so requested, shall:

1. Provide the claimant with the opportunity to submit written comments, documents, records, and other information relating to the claim for benefits;

2. Provide that the claimant shall be provided, upon request and free of charge, reasonable access to, and copies of all documents, records and other information (other than documents, records and other information that is legally privileged) relevant to the claimant's claim for benefits; and

3. Provide for a review that takes into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

If the claim is subsequently also denied by the Plan Administrator, in whole or in part, then the claimant shall be furnished with a denial notice that shall contain the following:

(1) Specific reason(s) for the denial;

(2) Reference to the specific Plan provision(s) on which the denial is based; and

(3) An explanation of the Plan's review procedures and the time limits applicable to such procedures including a statement of the claimant's right to bring a civil action under ERISA Section 502(a) following the denial on review.

The decision on review shall be issued within sixty (60) days following the request for review. The period for decision may, however, be extended up to one hundred and twenty (120) days after such receipt if the Plan Administrator determines that special circumstances require extension. In the case of an extension, notice of the extension shall be furnished to the claimant (or his or her authorized representative) prior to the expiration of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to render the benefits determination.

(f) Limitations on Claims. No legal action for benefits under the Plan may be brought until: (i) the claimant has submitted a written application for benefits in accordance with specified procedures; (ii) the claimant has been notified that the application is denied (or the application is deemed denied due to the Plan Administrator's failure to act on it within the established time period); (iii) the claimant has filed a written request for a review of the application and (iv) the claimant has been notified in writing that the Plan Administrator has denied the appeal (or the appeal is deemed to be denied due to the Plan Administrator's failure to take any action on the claim within the time prescribed above). No legal action may be brought more than one (1) year after the date of the final claim denial. This one-year statute of limitations on suits for all severance benefits available under the Plan shall apply in any forum where any such suit may be initiated.

(g) Tax Administration. All payments made or benefits provided under the Plan shall be subject to withholding for any applicable taxes or other amounts which federal, state or local law requires the Company to withhold. The Company's determination of the type and amount of taxes to be withheld from any payment or benefit shall be final and binding on all persons having or claiming to have an interest in this Plan.

(h) No Right to Employment. This Plan does not provide you with any right to continue employment with the Company or affect the right of you or the Company to terminate your employment at any time, with or without Cause; provided that nothing herein shall adversely affect any rights under a written employment agreement executed by the parties thereto.

(i) Source of Payments. All severance benefits will be paid in cash from the general funds of the Company; no separate fund will be established under the Plan; and the Plan will have no assets. No right of any person to receive any payment under the Plan will be any greater than the right of any other general unsecured creditor of the Company.

(j) No Vested Rights. No Eligible Employee shall have any vested rights under the Plan. An Eligible Employee whose employment is terminated prior to the amendment or termination of the Plan shall not have his or her Severance Benefit reduced by reason of such amendment or termination. Nothing in the Plan shall be construed as giving to an employee a right to receive any benefit other than the benefits specifically provided under the terms of the Plan. Nothing in the Plan shall limit the company from being able to discharge, demote, downgrade, transfer, relocate, or in any other manner treat or deal with any person in its employ, without regard to the effect such treatment or dealing may have upon such person as someone who might otherwise have become (or remained) a Participant in the Plan, which right is hereby reserved. No benefits shall be deemed to accrue under the Plan at any time except the time at which they become payable under the Plan, and no right to a benefit under the Plan shall vest prior to the Eligible Employee's Termination Date.

(k) Effect on Other Plans. As of your Termination Date, you will cease to actively participate in any Company-sponsored employee benefit plans and programs. Except as otherwise required by applicable law and/or the applicable plan or program terms, your Severance Benefit will not be taken into account for purposes of any other Company-sponsored employee benefit plan or program. Your rights under any such benefit plan or program are governed solely by the terms of such plans and programs, and you should review those terms to understand your rights (if any) under them in connection with your Qualifying Termination.

The effect of your Qualifying Termination and any subsequent rehire by the Company on any outstanding or future awards you may have or receive under the Company's 2003 Long-Term Executive Compensation Plan, 2013 Long Term Incentive Plan, 2018 Long Term Incentive Plan, or other equity compensation plan or program that may subsequently be maintained by the Company will be determined exclusively by the terms and conditions of the applicable plan(s) and any related award agreements or notices based on the relevant facts and circumstances.

(l) Inability to Make Payment. If the Plan Administrator is unable to make payments to you because it is unable to locate your whereabouts after reasonable efforts have been made, any payments due shall be forfeited six (6) months after the date any such payment first may have been due, except to the minimum extent necessary to maintain adequate consideration for your commitments set forth in your Release and Separation Agreement, as determined by the Plan Administrator in its sole discretion. The Plan Administrator may make whatever arrangements for the eventual disposition of such residual amount as it deems appropriate.



(m) Recovery of Excess Payments. If any benefit under the Plan is erroneously paid to you, you are required refund any such overpayment within thirty (30) days of a written notice of overpayment from the Plan Administrator or its designee.

(n) Amendment and Termination of the Plan. The Company reserves the right to amend, modify or terminate the Plan at any time, without advance notice. Any action of the Company in amending or terminating the Plan will be taken in a non-fiduciary capacity. The terms of the Plan cannot be amended or changed by any verbal agreement, representation, proposal or other communication not formally memorialized by the Company as an amendment in accordance with this Section 5(n). No communications in connection with the Plan made by an employee shall be effective unless duly executed on an appropriate form provided or approved by, and filed with, the Plan Administrator, except that the Plan Administrator will accept questions from employees regarding the administration of the Plan. Any termination or amendment of the Plan may be made effective immediately with respect to any benefits not yet paid, whether or not prior notice of such amendment or termination has been given to affected employees. In the event of an Internal Revenue Service or Department of Labor ruling which has the effect of reclassifying the Plan as an “employee pension benefit plan” as defined in ERISA Section 3(2)(A), the Plan will be automatically terminated effective at the date of such ruling.

(o) ERISA and Tax Limitations. Notwithstanding any provision in the Plan to the contrary: (i) no payments made pursuant to the Plan are contingent, either directly or indirectly, upon your retirement; (ii) in no event shall the amount of a Severance Benefit payable under the Plan exceed two (2) times your annual compensation paid during the year immediately preceding your Separation Date; and (iii) under no circumstances will any severance benefits under the Plan be payable to you more than twenty-four (24) months following your Termination Date. These limitations are intended to ensure that the Plan is regarded as an “employee welfare benefit plan” for purposes of ERISA and to avoid the application of Code Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) to the Plan or the severance payments or benefits it provides.

The Plan and the Severance Benefits it provides are intended to be exempt from Code Section 409A in accordance with Sections 1.409A-1(b)(9)(iii) and (vi) of the Treasury Regulations and shall be administered and interpreted in accordance with this intention. The Company, in its sole discretion may amend or modify the Plan in any manner to provide for the application and effects of Code Section 409A, its related Treasury regulations, and any related regulatory or administrative guidance issued by the Internal Revenue Service.

If you are deemed on your Termination Date to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment that is considered deferred compensation under Code Section 409A payable on account of your “separation from service,” such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6) month period measured from the date of such “separation from service,” and (ii) the date of your death (the “Delay Period”). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to you in a lump sum, and any remaining payments and benefits due under

the Plan shall be paid or provided in accordance with the normal payment dates specified for them herein. The determination of whether you are a “specified employee” for purposes of Code Section 409A(a)(2)(B)(i) as of your Separation Date shall be made by the Company in accordance with the terms of Code Section 409A and the applicable guidance thereunder (including without limitation Treasury Regulation Section 1.409A-1(i) and any successor provision thereto). For the avoidance of doubt, no portion of any of the amounts payable upon your termination will be subject to the foregoing delay if and to the extent that such amounts (i) constitute a “short term deferral” within the meaning of Section 1.409A-1(a)(4) of the Treasury Regulations, or (ii) (A) are being paid due to your “involuntary separation from service” (within the meaning of Section 1.409A-1(n) of the Treasury Regulations); (B) do not exceed two times the lesser of (1) your annualized compensation from the Company for the calendar year prior to the calendar year in which your termination occurs, or (2) the maximum amount that may be taken into account under a qualified plan pursuant to Code Section 401(a)(17) for the year in which your termination occurs; and (C) the payment is required under the Plan to be paid no later than the last day of the second (2<sup>nd</sup>) calendar year following the calendar year during which your termination occurs.

For purposes of the application of Treasury Regulation § 1.409A-1(b)(4) (or any successor provision), each payment in a series of payments will be deemed to be a separate payment. To the extent an expense or in-kind benefit provided pursuant to the Plan constitutes a “deferral of compensation” within the meaning of Code Section 409A, (1) the expenses will be reimbursed to you as promptly as practical and in any event not later than the last day of the calendar year after the calendar year in which the expenses are incurred, (2) the amount of expenses eligible for reimbursement or in-kind benefits provided during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided in any other calendar year, and (3) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

(p) Payments to Deceased Participants. If payment of Severance Pay is owed to a Participant who dies prior to receipt of Severance Benefits under the Plan, payment will be made to his or her surviving spouse, if any, or to his or her estate in accordance with applicable state law.

(q) Controlling Law. This Plan is governed by ERISA and, to the extent applicable, the laws of the State of Missouri. This Plan is not intended to be funded for purposes of ERISA.

**6. ADDITIONAL PLAN INFORMATION**

**Plan Name:** H&R Block Severance Plan  
**Type of Plan:** Unfunded welfare benefit plan  
**Plan Sponsor:** H&R Block Management, LLC  
**Identification Numbers:** EIN: 43-1632589  
PLAN: 509  
**Plan Year:** January 1 – December 31  
**Plan Administrator:** H&R Block Management, LLC  
One H&R Block Way  
Kansas City, Missouri 64105  
Attn: Plan Administrator, H&R Block Severance Plan  
  
(816) 854-3000  
**Agent for Service of  
Legal Process:** H&R Block Management, LLC  
One H&R Block Way  
Kansas City, Missouri 64105  
  
Attn: Corporate Secretary  
**Funding Mechanism:** Severance benefits are paid out of the Company's general assets.

IN WITNESS WHEREOF, H&R Block Management, LLC, for itself and its designated affiliates has caused its duly authorized officer to execute this H&R Block Severance Plan this 15th day of May, 2021.

**H&R Block Management, LLC, a Missouri limited liability company**

By:  /s/ Tiffany Monroe

Name: Tiffany Monroe

Title: Chief People Officer

## STATEMENT OF ERISA RIGHTS

The Employee Retirement Income Security Act of 1974 (“ERISA”) was enacted to help assure that all employer-sponsored group benefits programs conform to standards set by Congress. The H&R Block Severance Plan is covered by ERISA and an employee who is a participant in this Plan is entitled to certain rights and protections. ERISA provides that all Plan participants shall be entitled to examine, without charge, at the Company’s business office, all Plan documents and copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports and to obtain copies of all Plan documents and other Plan information, if applicable, upon written request to the Company. The Company may make a reasonable charge for the copies. The Company is required by law to furnish each participant with a copy of the summary annual report, if applicable.

In addition to creating rights for Plan participants, ERISA also sets forth certain duties for the people who are responsible for the operation of the Plan. The people who operate the Plan are called “fiduciaries” of the Plan. They have a duty to operate the Plan prudently and in the best interests of you and other Plan participants and beneficiaries. No one, including your employer, or any other person, may fire you or otherwise discriminate against you to prevent you from either obtaining any Plan benefit or exercising your rights under ERISA. However, neither the existence of the Plan nor this summary plan description constitutes an employment contract or affects the right of the Company to lawfully terminate your employment.

If your claim for a Plan benefit is denied in whole or in part, you must receive a written explanation of the reasons for the denial. You have the right to have the Plan Administrator review and reconsider your claim.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within thirty (30) days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 per day until you receive the materials (unless the materials were not sent because of reasons beyond the control of the Plan Administrator). If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that Plan fiduciaries do not fulfill their responsibilities under ERISA, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees (for example, if the court finds your claim is frivolous).

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Company, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

**H&R BLOCK SEVERANCE PLAN**

**EXHIBIT A**

**PARTICIPATING AFFILIATES**

**Effective May 15, 2021**

**H&R Block Management, LLC**

**H&R Block Enterprises LLC**

**HRB Green Resources LLC**

**HRB International Management LLC**

**HRB Professional Resources LLC**

**HRB Resources LLC**

**HRB Technology LLC**

Entity Name	Domestic Jurisdiction
Aculink Mortgage Solutions, LLC	Florida
AcuLink of Alabama, LLC	Alabama
Ada Services Corporation	Massachusetts
BFC Transactions, Inc.	Delaware
Block Financial LLC	Delaware
Blue Acre SCS	Luxembourg
Blue Fountains International, ULC	Alberta
Blue Fountains LLC	Bermuda
Companion Insurance, Ltd.	Missouri
Companion Mortgage Corporation	Delaware
Emerald Financial Services, LLC	Delaware
EquiCo, Inc.	California
Everyday Financial Services LLC	Missouri
Financial Marketing Services, Inc.	Michigan
Franchise Partner, Inc.	Nevada
H&R Block (India) Private Limited	India
H&R Block Canada Financial Services, Inc.	Federally Chartered
H&R Block Canada, Inc.	Federally Chartered
H&R Block Eastern Enterprises, Inc.	Missouri
H&R Block Enterprises LLC	Missouri
H&R Block Group, Inc.	Delaware
H&R Block Health Insurance Agency, Inc.	Delaware
H&R Block Insurance Agency, Inc.	Delaware
H&R Block Limited	New South Wales
H&R Block Management, LLC	Delaware
H&R Block Personalized Services, LLC	Missouri
H&R Block Tax Institute, LLC	Missouri
H&R Block Tax Resolution Services, Inc.	Delaware
H&R Block Tax Services LLC	Missouri
Harbor Business Services, Inc.	Delaware
HRB Business Innovations LLC	Missouri
HRB Canada Holdings, ULC	Alberta
HRB Deployment & Support LLC	Missouri
HRB Development, LLC	Missouri
HRB Digital LLC	Delaware
HRB Expertise LLC	Missouri
HRB Global Concepts Unlimited Company	Ireland
HRB Global Unlimited	Bermuda
HRB Green Resources LLC	Delaware
HRB GTC Ireland Unlimited Company	Ireland
HRB Innovations, Inc.	Delaware
HRB International LLC	Missouri
HRB International Management LLC	Missouri
HRB International Technology LLC	Delaware
HRB Luxembourg Financing S.a.r.l.	Luxembourg
HRB Luxembourg S.a.r.l.	Luxembourg
HRB Mortgage Holdings, LLC	Delaware
HRB Participant I LLC	Delaware
HRB PR Enterprises LLC	Nevada
HRB Products LLC	Missouri

Entity Name	Domestic Jurisdiction
HRB Professional Resources LLC	Delaware
HRB Resources LLC	Delaware
HRB Retail Support Services LLC	Missouri
HRB Supply LLC	Delaware
HRB Tax Group, Inc.	Missouri
HRB Technology Holding LLC	Delaware
HRB Technology LLC	Missouri
Latino Tax and Business Services, LLC	Delaware
New Castle HoldCo LLC	Delaware
OOMC Residual Corporation	New York
PTF Services, LLC	Delaware
RedGear Technologies, Inc.	Missouri
RSM EquiCo, Inc.	Delaware
Sand Canyon Acceptance Corporation	Delaware
Sand Canyon Corporation	California
Sand Canyon Securities Corp.	Delaware
Sand Canyon Securities II Corp.	Delaware
Sand Canyon Securities III Corp.	Delaware
Sand Canyon Securities IV LLC	Delaware
ServiceWorks, Inc.	Delaware
TaxWorks, Inc.	Delaware
Tribena Limited	Cyprus
Wave Credit Inc.	Delaware
Wave Financial Inc.	Ontario
Wave Financial USA Inc.	Delaware
Wave Money Inc.	Ontario
Wave+ Inc.	Ontario
Woodbridge Mortgage Acceptance Corporation	Delaware



**LIST OF GUARANTOR AND ISSUER SUBSIDIARIES** Exhibit 22

As of April 30, 2021, H&R Block, Inc. was the guarantor and Block Financial LLC was the issuer of the following:

- Senior Notes, 5.500%, due November 2022
- Senior Notes, 5.250%, due October 2025
- Senior Notes, 3.875%, due August 2030
- Third Amended and Restated Credit and Guarantee Agreement (CLOC)

<u>Exact Name of Issuer Subsidiary</u>	<u>Jurisdiction of Formation</u>
Block Financial LLC	Delaware

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-118020, 333-184343, 333-206790, and 333-228407-01 on Form S-3 of Block Financial Corporation and Registration Statement Nos. 333-206790, 333-118020-01, 333-154611, 333-184343-01, and 333-228407 on Form S-3 and Nos. 333-42736, 333-70402, 333-106710, 333-160957, 333-183913, 333-183915, and 333-220555 on Form S-8 of H&R Block, Inc. of our reports dated June 15, 2021, relating to the financial statements of H&R Block, Inc. and the effectiveness of H&R Block, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended April 30, 2021.

/s/ Deloitte & Touche LLP

Kansas City, Missouri  
June 15, 2021

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey J. Jones II, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of H&R Block, 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: June 15, 2021

/s/ Jeffrey J. Jones II

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Jeffrey J. Jones II  
Chief Executive Officer  
H&R Block, Inc.

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tony G. Bowen, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of H&R Block, 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: June 15, 2021

/s/ Tony G. Bowen

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Tony G. Bowen  
Chief Financial Officer  
H&R Block, Inc.

**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 H&R Block, Inc. (the "Company") on Form 10-K for the fiscal year ending April 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey J. Jones II, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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.

/s/ Jeffrey J. Jones II

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Jeffrey J. Jones II  
Chief Executive Officer  
H&R Block, Inc.  
June 15, 2021

**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 H&R Block, Inc. (the "Company") on Form 10-K for the fiscal year ending April 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tony G. Bowen, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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.

/s/ Tony G. Bowen

Tony G. Bowen  
Chief Financial Officer  
H&R Block, Inc.  
June 15, 2021