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

(Mark One)

☑	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended January 31, 2020
	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	**44-0607856**
(State or other jurisdiction of incorporation or organization)	(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

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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

The number of shares outstanding of the registrant's Common Stock, without par value, at the close of business on February 28, 2020: 192,475,284 shares.

Form 10-Q for the Period Ended January 31, 2020

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

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

	Three months ended January 31,		Nine months ended January 31,	
	2020	2019	**2020**	2019
REVENUES:				
Service revenues	**$ 419,955**	$ 373,659	**$ 691,762**	$ 627,786
Royalty, product and other revenues	**99,250**	94,725	**138,606**	134,652
	519,205	468,384	**830,368**	762,438
OPERATING EXPENSES:				
Costs of revenues	**462,521**	421,026	**945,119**	893,401
Selling, general and administrative	**209,288**	185,458	**475,758**	404,517
Total operating expenses	**671,809**	606,484	**1,420,877**	1,297,918
Other income (expense), net	**1,879**	2,269	**13,741**	11,275
Interest expense on borrowings	**(26,305)**	(22,833)	**(68,682)**	(65,214)
Loss from continuing operations before income tax benefit	**(177,030)**	(158,664)	**(645,450)**	(589,419)
Income tax benefit	**(49,004)**	(38,885)	**(188,146)**	(149,906)
Net loss from continuing operations	**(128,026)**	(119,779)	**(457,304)**	(439,513)
Net loss from discontinued operations, net of tax benefits of $488 and $1,962, $3,173 and $4,731	**(1,657)**	(6,675)	**(10,625)**	(15,887)
NET LOSS	**$ (129,683)**	$ (126,454)	**$ (467,929)**	$ (455,400)
BASIC AND DILUTED LOSS PER SHARE:				
Continuing operations	**$ (0.66)**	$ (0.58)	**$ (2.31)**	$ (2.13)
Discontinued operations	**(0.01)**	(0.04)	**(0.05)**	(0.08)
Consolidated	**$ (0.67)**	$ (0.62)	**$ (2.36)**	$ (2.21)
DIVIDENDS DECLARED PER SHARE	**$ 0.26**	$ 0.25	**$ 0.78**	$ 0.75
COMPREHENSIVE LOSS:				
Net loss	**$ (129,683)**	$ (126,454)	**$ (467,929)**	$ (455,400)
Change in foreign currency translation adjustments and other	**(3,574)**	1,238	**(4,975)**	(3,339)
Other comprehensive income (loss)	**(3,574)**	1,238	**(4,975)**	(3,339)
Comprehensive loss	**$ (133,257)**	$ (125,216)	**$ (472,904)**	$ (458,739)

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

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

As of	January 31, 2020	January 31, 2019	April 30, 2019
ASSETS			
Cash and cash equivalents	**$ 192,340**	$ 203,226	$ 1,572,150
Cash and cash equivalents - restricted	**169,447**	101,903	135,577
Receivables, less allowance for doubtful accounts of $45,254, $44,033 and $67,228	**819,946**	758,217	138,965
Prepaid expenses and other current assets	**120,229**	171,306	146,667
Total current assets	**1,301,962**	1,234,652	1,993,359
Property and equipment, at cost, less accumulated depreciation and amortization of $803,272, $800,834 and $745,761	**197,569**	220,505	212,092
Operating lease right of use asset	**463,777**	—	—
Intangible assets, net	**433,074**	356,952	342,493
Goodwill	**838,830**	520,005	519,937
Deferred tax assets and income taxes receivable	**134,901**	141,366	141,979
Other noncurrent assets	**82,317**	95,326	90,085
Total assets	**$ 3,452,430**	$ 2,568,806	$ 3,299,945
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Accounts payable and accrued expenses	**$ 156,766**	$ 202,101	$ 249,525
Accrued salaries, wages and payroll taxes	**117,459**	140,902	196,527
Accrued income taxes and reserves for uncertain tax positions	**36,242**	49,009	271,973
Current portion of long-term debt	**649,022**	—	—
Operating lease liabilities	**187,890**	—	—
Deferred revenue and other current liabilities	**190,242**	195,634	204,976
Total current liabilities	**1,337,621**	587,646	923,001
Long-term debt and line of credit borrowings	**1,880,589**	1,876,989	1,492,629
Deferred tax liabilities and reserves for uncertain tax positions	**172,954**	214,217	197,906
Operating lease liabilities	**289,299**	—	—
Deferred revenue and other noncurrent liabilities	**90,346**	103,545	144,882
Total liabilities	**3,770,809**	2,782,397	2,758,418
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Common stock, no par, stated value $.01 per share, 800,000,000 shares authorized, shares issued of 228,206,684, 241,501,278 and 238,336,760	**2,282**	2,415	2,383
Additional paid-in capital	**769,990**	764,982	767,636
Accumulated other comprehensive loss	**(25,391)**	(17,642)	(20,416)
Retained earnings (deficit)	**(367,218)**	(254,277)	499,386
Less treasury shares, at cost, of 35,732,666, 36,460,305 and 36,377,441	**(698,042)**	(709,069)	(707,462)
Total stockholders' equity (deficiency)	**(318,379)**	(213,591)	541,527
Total liabilities and stockholders' equity	**$ 3,452,430**	$ 2,568,806	$ 3,299,945

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in 000s)

Nine months ended January 31,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	**$ (467,929)**	$ (455,400)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**125,409**	126,013
Provision for bad debt	**37,517**	35,009
Deferred taxes	**10,795**	20,557
Stock-based compensation	**22,699**	18,009
Changes in assets and liabilities, net of acquisitions:		
Receivables	**(684,323)**	(641,157)
Prepaid expenses, other current and noncurrent assets	**(1,990)**	(56,160)
Accounts payable, accrued expenses, salaries, wages and payroll taxes	**(166,204)**	(47,975)
Deferred revenue, other current and noncurrent liabilities	**(55,064)**	(66,804)
Income tax receivables, accrued income taxes and income tax reserves	**(282,488)**	(277,240)
Other, net	**(6,213)**	(2,308)
Net cash used in operating activities	**(1,467,791)**	(1,347,456)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	**(66,510)**	(79,982)
Payments made for business acquisitions, net of cash acquired	**(450,282)**	(42,428)
Franchise loans funded	**(32,890)**	(16,875)
Payments from franchisees	**14,604**	15,149
Other, net	**45,376**	4,877
Net cash used in investing activities	**(489,702)**	(119,259)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of line of credit borrowings	**(285,000)**	(230,000)
Proceeds from line of credit borrowings	**1,320,000**	615,000
Dividends paid	**(154,827)**	(154,866)
Repurchase of common stock, including shares surrendered	**(256,199)**	(102,152)
Proceeds from exercise of stock options	**2,074**	2,527
Other, net	**(14,136)**	(20,126)
Net cash provided by financing activities	**611,912**	110,383
Effects of exchange rate changes on cash	**(359)**	(2,217)
Net decrease in cash and cash equivalents, including restricted balances	**(1,345,940)**	(1,358,549)
Cash, cash equivalents and restricted cash, beginning of period	**1,707,727**	1,663,678
Cash, cash equivalents and restricted cash, end of period	**$ 361,787**	$ 305,129
SUPPLEMENTARY CASH FLOW DATA:		
Income taxes paid, net of refunds received	**$ 84,872**	$ 103,789
Interest paid on borrowings	**65,972**	55,581
Accrued additions to property and equipment	**1,662**	2,241
Accrued purchase of common stock	**—**	12,301

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 (Deficit)	Treasury Stock		Total Stockholders' Equity (Deficiency)
	Shares	Amount				Shares	Amount	
Balances as of May 1, 2019	238,337	$ 2,383	$ 767,636	$ (20,416)	$ 499,386	(36,377)	$ (707,462)	$ 541,527
Net loss	—	—	—	—	(150,247)	—	—	(150,247)
Other comprehensive loss	—	—	—	(2,320)	—	—	—	(2,320)
Stock-based compensation	—	—	6,557	—	—	—	—	6,557
Stock-based awards exercised or vested	—	—	(13,789)	—	(2,786)	906	17,631	1,056
Acquisition of treasury shares	—	—	—	—	—	(314)	(9,185)	(9,185)
Repurchase and retirement of common shares	(1,593)	(16)	(955)	—	(43,101)	—	—	(44,072)
Cash dividends declared - $0.26 per share	—	—	—	—	(52,512)	—	—	(52,512)
Balances as of July 31, 2019	236,744	$ 2,367	$ 759,449	$ (22,736)	$ 250,740	(35,785)	$ (699,016)	$ 290,804
Net loss	—	—	—	—	(187,999)	—	—	(187,999)
Other comprehensive income	—	—	—	919	—	—	—	919
Stock-based compensation	—	—	9,331	—	—	—	—	9,331
Stock-based awards exercised or vested	—	—	(127)	—	(276)	13	264	(139)
Acquisition of treasury shares	—	—	—	—	—	(6)	(173)	(173)
Repurchase and retirement of common shares	(5,720)	(57)	(3,433)	—	(133,449)	—	—	(136,939)
Cash dividends declared - $0.26 per share	—	—	—	—	(51,551)	—	—	(51,551)
Balances as of October 31, 2019	231,024	$ 2,310	$ 765,220	$ (21,817)	$ (122,535)	(35,778)	$ (698,925)	$ (75,747)
Net loss	—	—	—	—	(129,683)	—	—	(129,683)
Other comprehensive loss	—	—	—	(3,574)	—	—	—	(3,574)
Stock-based compensation	—	—	6,529	—	—	—	—	6,529
Stock-based awards exercised or vested	—	—	(69)	—	(180)	47	939	690
Acquisition of treasury shares	—	—	—	—	—	(2)	(56)	(56)
Repurchase and retirement of common shares	(2,817)	(28)	(1,690)	—	(64,056)	—	—	(65,774)
Cash dividends declared - $0.26 per share	—	—	—	—	(50,764)	—	—	(50,764)
Balances as of January 31, 2020	228,207	$ 2,282	$ 769,990	$ (25,391)	$ (367,218)	(35,733)	$ (698,042)	$ (318,379)

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 (Deficit)	Treasury Stock		Total Stockholders' Equity (Deficiency)
	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 loss	—	—	—	—	(152,670)	—	—	(152,670)
Cumulative effect of ASU 2016-16 (1)	—	—	—	—	100,950	—	—	100,950
Other comprehensive loss	—	—	—	(1,731)	—	—	—	(1,731)
Stock-based compensation	—	—	4,307	—	—	—	—	4,307
Stock-based awards exercised or vested	—	—	(9,945)	—	(1,029)	627	12,185	1,211
Acquisition of treasury shares	—	—	—	—	—	(200)	(4,560)	(4,560)
Repurchase and retirement of common shares	(4,173)	(42)	(2,503)	—	(94,560)	—	—	(97,105)
Cash dividends declared - $0.25 per share	—	—	—	—	(52,104)	—	—	(52,104)
Balances as of July 31, 2018	242,026	$ 2,420	$ 752,109	$ (16,034)	$ 163,567	(36,518)	$ (710,053)	$ 192,009
Net loss	—	—	—	—	(176,276)	—	—	(176,276)
Other comprehensive loss	—	—	—	(2,846)	—	—	—	(2,846)
Stock-based compensation	—	—	7,352	—	—	—	—	7,352
Stock-based awards exercised or vested	—	—	(226)	—	(202)	35	675	247
Acquisition of treasury shares	—	—	—	—	—	(16)	(431)	(431)
Cash dividends declared - $0.25 per share	—	—	—	—	(51,380)	—	—	(51,380)
Balances as of October 31, 2018	242,026	$ 2,420	$ 759,235	$ (18,880)	$ (64,291)	(36,499)	$ (709,809)	$ (31,325)
Net loss	—	—	—	—	(126,454)	—	—	(126,454)
Other comprehensive income	—	—	—	1,238	—	—	—	1,238
Stock-based compensation	—	—	6,067	—	—	—	—	6,067
Stock-based awards exercised or vested	—	—	(5)	—	(169)	41	796	622
Acquisition of treasury shares	—	—	—	—	—	(2)	(56)	(56)
Repurchase and retirement of common shares	(525)	(5)	(315)	—	(11,981)	—	—	(12,301)
Cash dividends declared - $0.25 per share	—	—	—	—	(51,382)	—	—	(51,382)
Balances as of January 31, 2019	241,501	$ 2,415	$ 764,982	$ (17,642)	$ (254,277)	(36,460)	$ (709,069)	$ (213,591)
Net income	—	—	—	—	877,909	—	—	877,909
Other comprehensive loss	—	—	—	(2,774)	—	—	—	(2,774)
Stock-based compensation	—	—	5,784	—	—	—	—	5,784
Stock-based awards exercised or vested	—	—	(1,231)	—	(150)	84	1,634	253
Acquisition of treasury shares	—	—	—	—	—	(1)	(27)	(27)
Repurchase and retirement of common shares	(3,164)	(32)	(1,899)	—	(73,501)	—	—	(75,432)
Cash dividends declared - $0.25 per share	—	—	—	—	(50,595)	—	—	(50,595)
Balances as of April 30, 2019	238,337	$ 2,383	$ 767,636	$ (20,416)	$ 499,386	(36,377)	$ (707,462)	$ 541,527

(1) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION – The consolidated balance sheets as of January 31, 2020 and 2019, the consolidated statements of operations and comprehensive loss for the three and nine months ended January 31, 2020 and 2019, the consolidated statements of cash flows for the nine months ended January 31, 2020 and 2019, and the consolidated statements of stockholders' equity for the three and nine months ended January 31, 2020 and the quarterly periods within the fiscal year ended April 30, 2019 have been prepared by the Company, without audit. In the opinion of management, all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position, results of operations, and cash flows as of January 31, 2020 and 2019 and for all periods presented, have been made.

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

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our April 30, 2019 Annual Report to Shareholders on Form 10-K. All amounts presented herein as of April 30, 2019 or for the year then ended are derived from our Annual Report on Form 10-K.

MANAGEMENT ESTIMATES – The preparation of financial statements in conformity with 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 related matters. 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.

SEASONALITY OF BUSINESS – Our operating revenues are seasonal in nature with peak revenues typically occurring in the months of February through April. Therefore, results for interim periods are not indicative of results to be expected for the full year.

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 notes 9 and 11 for additional information on litigation, claims, and other loss contingencies related to our discontinued operations.

WAVE ACQUISITION – On June 28, 2019, we acquired Wave HQ Inc. (formerly known as Wave Financial Inc.) and its subsidiaries (collectively, Wave) and during the quarter ended October 31, 2019 we finalized the post-closing working capital adjustment and made an additional payment of $1.4 million, resulting in a total payment of $408.4 million. The acquisition was funded with available cash. Wave is a provider of software solutions and related services specifically designed to help small business owners manage their finances. Major revenue sources include fees earned by providing payment processing, payroll services, and bookkeeping services. We believe the acquisition of Wave enhances our position in the small business market.

Included in the transaction price is $8.2 million which will be treated as compensation expense over the next two years as certain key employees are required to remain employees to receive payment. Additionally, key employees are participating in a management incentive program consisting of cash performance incentives and stock-based compensation which will be earned over the next three years and is not considered part of the purchase price.

As of January 31, 2020 we have completed the purchase price allocation related to the acquisition.

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

($ 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
Noncompete agreements	7,070	5
Trade name	5,800	10
Total identifiable net assets	99,672	
Goodwill	300,560	
Total identifiable assets and goodwill	$ 400,232	

The acquired identifiable assets and goodwill are only tax deductible for Global Intangible Low-Taxed Income (GILTI) purposes.

Revenues of $25.7 million and pretax losses of $36.3 million were recognized by Wave from the period of June 28, 2019 through January 31, 2020, which are included in our consolidated statement of operations for the nine months ended January 31, 2020. Had we acquired Wave as of May 1, 2018, we would have reported, on a pro-forma basis, consolidated revenues of $836.9 million and $784.9 million for the nine months ended January 31, 2020 and 2019, respectively, and consolidated pretax losses from continuing operations of $655.5 million and $623.9 million, respectively. Pro-forma adjustments primarily include amortization of intangible assets and certain compensation expenses.

NEW ACCOUNTING PRONOUNCEMENTS –

Leases. In February 2016, the FASB issued Accounting Standards Update No. 2016-02, “Leases” (ASU 2016-02), which requires the recognition of lease assets and lease liabilities on the balance sheet by lessees for leases previously classified as operating leases. We adopted this guidance and related amendments as of May 1, 2019 using the alternative transition method, which allows companies the option of using the effective date of the new standard as the initial application date (at the beginning of the period in which it adopted, rather than at the beginning of the earliest comparative period).

We have recognized operating lease right-of-use (ROU) assets and operating lease liabilities on our balance sheet as part of adopting the standard and pre-existing liabilities for deferred rent, and various lease incentives were reclassified as a component of the lease assets. We elected the package of practical expedients which allows us to not reassess historical lease classification, initial direct costs or contracts related to leases. For leases with an initial term of twelve months or less we have elected to only recognize retail office leases on our balance sheet. We elected the practical expedient to account for lease and non-lease components (such as common area maintenance, utilities, insurance and taxes) as a single lease component for all classes of underlying assets. We also elected the practical expedient to not reassess whether land easement contracts meet the definition of a lease. We did not elect the practical expedient of hindsight when determining the lease term of existing contracts at the effective date.

The adoption of the new standard did not materially affect our consolidated statement of operations or cash flows. See note 10, Leases, for additional information.

Current Expected Credit Losses. In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13), "Measurement of Credit Losses on Financial Instruments," which replaces the existing incurred credit loss model for an expected credit loss model. This guidance will be effective for us on May 1, 2020, with early adoption permitted. We are currently evaluating the impact of ASU 2016-13 on our consolidated financial statements.

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)

	Three months ended January 31,		Nine months ended January 31,	
	2020	2019	**2020**	2019
Revenues:				
U.S. assisted tax preparation	**$ 283,956**	$ 256,813	**$ 358,174**	$ 329,569
U.S. royalties	**44,965**	42,265	**59,644**	57,898
U.S. DIY tax preparation	**34,089**	31,996	**42,040**	37,771
International	**11,804**	12,304	**97,311**	96,980
Refund Transfers	**50,494**	47,482	**52,794**	49,466
Emerald Card®	**16,657**	14,980	**39,128**	38,704
Peace of Mind® Extended Service Plan	**16,954**	16,596	**75,451**	77,491
Tax Identity Shield®	**8,138**	7,655	**17,308**	17,639
Interest and fee income on Emerald Advance™	**32,741**	30,924	**33,780**	31,768
Wave	**11,213**	—	**25,740**	—
Other	**8,194**	7,369	**28,998**	25,152
Total revenues	**$ 519,205**	$ 468,384	**$ 830,368**	$ 762,438

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.

Changes in the balances of deferred revenue and wages for our Peace of Mind® Extended Service Plan (POM) are as follows:

(in 000s)

POM	Deferred Revenue		Deferred Wages	
Nine months ended January 31,	**2020**	2019	**2020**	2019
Balance, beginning of the period	**$ 212,511**	$ 218,274	**$ 27,306**	$ 32,683
Amounts deferred	**28,686**	27,711	**1,827**	1,773
Amounts recognized on previous deferrals	**(87,850)**	(90,439)	**(12,134)**	(13,569)
Balance, end of the period	**$ 153,347**	$ 155,546	**$ 16,999**	$ 20,887

As of January 31, 2020, deferred revenue related to POM was $153.3 million. We expect that $104.4 million will be recognized over the next twelve months, while the remaining balance will be recognized over the following sixty months.

As of January 31, 2020 and 2019, Tax Identity Shield® (TIS) deferred revenue was $21.2 million and $21.3 million, respectively. Deferred revenue related to TIS was $29.7 million and $36.4 million at April 30, 2019 and 2018, respectively. All deferred revenue related to TIS will be recognized within the next fifteen months.

NOTE 3: LOSS PER SHARE AND STOCKHOLDERS' EQUITY

LOSS PER SHARE – Basic and diluted 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 or loss from continuing operations attributable to common shareholders by the weighted average shares outstanding during each period. The dilutive effect of potential common shares is included in diluted earnings per share except in those periods with a loss from continuing operations. 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 3.7 million shares for the three and nine months ended January 31, 2020, and 3.4 million shares for the three and nine months ended January 31, 2019, as the effect would be antidilutive due to the net loss from continuing operations during those periods.

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

(in 000s, except per share amounts)

	Three months ended January 31,		Nine months ended January 31,	
	2020	2019	**2020**	2019
Net loss from continuing operations attributable to shareholders	**$ (128,026)**	$ (119,779)	**$ (457,304)**	$ (439,513)
Amounts allocated to participating securities	**(169)**	(160)	**(468)**	(446)
Net loss from continuing operations attributable to common shareholders	**$ (128,195)**	$ (119,939)	**$ (457,772)**	$ (439,959)
Basic weighted average common shares	**194,077**	205,532	**198,064**	206,242
Potential dilutive shares	**—**	—	**—**	—
Dilutive weighted average common shares	**194,077**	205,532	**198,064**	206,242
Loss per share from continuing operations attributable to common shareholders:				
Basic	**$ (0.66)**	$ (0.58)	**$ (2.31)**	$ (2.13)
Diluted	**(0.66)**	(0.58)	**(2.31)**	(2.13)

The weighted average shares outstanding for the three and nine months ended January 31, 2020 decreased to 194.1 million and 198.1 million, respectively, from 205.5 million and 206.2 million, respectively, for the three and nine months ended January 31, 2019. The decrease is due to share repurchases completed in the current and prior years.

STOCK-BASED COMPENSATION – During the nine months ended January 31, 2020, we also acquired 0.3 million shares of our common stock at an aggregate cost of $9.4 million, which represent shares swapped or surrendered to us in connection with the vesting or exercise of stock-based awards. During the nine months ended January 31, 2019, we acquired 0.2 million shares at an aggregate cost of $5.0 million for similar purposes.

During the nine months ended January 31, 2020 and 2019, we issued 1.0 million and 0.7 million shares of common stock, respectively, due to the vesting or exercise of stock-based awards.

During the nine months ended January 31, 2020, we granted equity awards equivalent to 1.5 million shares under our stock-based compensation plans, consisting primarily of nonvested units. Stock-based compensation expense of our continuing operations totaled $6.6 million and $22.7 million for the three and nine months ended January 31, 2020, respectively and $6.2 million and $18.0 million for the three and nine months ended January 31, 2019, respectively. As of January 31, 2020, unrecognized compensation cost for stock options totaled $0.3 million, and for nonvested shares and units totaled $40.6 million.

NOTE 4: RECEIVABLES

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

(in 000s)

As of	January 31, 2020		January 31, 2019		April 30, 2019	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Loans to franchisees	**$ 36,372**	**$ 42,079**	$ 28,941	$ 41,669	$ 22,427	$ 35,325
Receivables for U.S. assisted and DIY tax preparation and related fees	**316,987**	**3,716**	281,266	5,503	34,284	3,716
H&R Block Instant RefundTM receivables	**6,733**	**563**	5,822	247	37,319	1,701
H&R Block Emerald AdvanceTM lines of credit	**373,271**	**6,179**	362,400	7,667	8,546	12,418
Software receivables from retailers	**8,101**	**—**	8,396	—	9,354	—
Royalties and other receivables from franchisees	**55,645**	**67**	54,907	733	11,888	97
Wave payment processing receivables	**3,363**	**—**	—	—	—	—
Other	**19,474**	**1,444**	16,485	2,698	15,147	2,382
Total	**$ 819,946**	**$ 54,048**	$ 758,217	$ 58,517	$ 138,965	$ 55,639

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 short–term loans and revolving lines of credit which are used to fund off–season working capital needs. As of January 31, 2020 and 2019, loans with a principal balance of $0.4 million and $0.9 million, respectively, were more than 90 days past due. We had no loans to franchisees on non-accrual status.

H&R BLOCK INSTANT REFUNDTM PROGRAM – H&R Block Instant RefundTM (formerly Instant Cash Back®) amounts are generally received from the Canada Revenue Agency (CRA) within 60 days of filing the client's return, with the remaining balance collectible from the client.

We review the credit quality of our Instant Refund receivables based on pools, which are segregated by the year of origination, with older years being deemed more unlikely to be repaid. 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 January 31, 2020 are as follows:

(in 000s)

Year of Origination	Current Balance	Non-Accrual
2020	**$ 6,321**	**$ —**
2019 and prior	**1,006**	**1,006**
	7,327	**$ 1,006**
Allowance	**(31)**	
Net balance	**$ 7,296**	

H&R BLOCK EMERALD ADVANCETM LINES OF CREDIT – We review the credit quality of our purchased participation interests in Emerald AdvanceTM (EA) receivables based on pools, which are segregated by the year of origination, with older years being deemed more unlikely to be repaid. Balances and amounts on non-accrual status and classified as impaired, or more than 60 days past due, as of January 31, 2020, by year of origination, are as follows:

		(in 000s)
Year of origination:	Balance	Non-Accrual
2020	$ **370,879**	$ **—**
2019 and prior	**12,729**	**12,729**
Revolving loans	**23,966**	**12,628**
	407,574	$ **25,357**
Allowance	**(28,124)**	
Net balance	$ **379,450**	

ALLOWANCE FOR DOUBTFUL ACCOUNTS – Activity in the allowance for doubtful accounts for our EA and all other short-term and long-term receivables for the nine months ended January 31, 2020 and 2019 is as follows:

			(in 000s)
	EAs	All Other	Total
Balances as of April 30, 2019	$ 27,535	$ 53,938	$ 81,473
Provision	**17,862**	**19,655**	**37,517**
Charge-offs, recoveries and other	**(17,273)**	**(55,101)**	**(72,374)**
Balances as of January 31, 2020	**$ 28,124**	**$ 18,492**	**$ 46,616**
Balances as of April 30, 2018	$ 26,622	$ 55,191	$ 81,813
Provision	18,254	16,755	35,009
Charge-offs, recoveries and other	(16,359)	(55,459)	(71,818)
Balances as of January 31, 2019	$ 28,517	$ 16,487	$ 45,004

NOTE 5: GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the nine months ended January 31, 2020 and 2019 are as follows:

			(in 000s)
	Goodwill	Accumulated Impairment Losses	Net
Balances as of April 30, 2019	$ 552,234	$ (32,297)	$ 519,937
Acquisition of Wave	**300,560**	**—**	**300,560**
Other Acquisitions	**23,421**	**—**	**23,421**
Disposals and foreign currency changes, net	**(5,088)**	**—**	**(5,088)**
Impairments	**—**	**—**	**—**
Balances as of January 31, 2020	**$ 871,127**	**$ (32,297)**	**$ 838,830**
Balances as of April 30, 2018	$ 540,168	$ (32,297)	$ 507,871
Acquisitions	13,076	—	13,076
Disposals and foreign currency changes, net	(942)	—	(942)
Impairments	—	—	—
Balances as of January 31, 2019	$ 552,302	$ (32,297)	$ 520,005

We test goodwill for impairment annually in our 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.

Components of intangible assets are as follows:

(in 000s)

	Gross Carrying Amount	Accumulated Amortization	Net
As of January 31, 2020:			
Reacquired franchise rights	**$ 364,376**	**$ (153,392)**	**$ 210,984**
Customer relationships	**313,521**	**(219,664)**	**93,857**
Internally-developed software	**154,962**	**(116,383)**	**38,579**
Noncompete agreements	**41,386**	**(33,151)**	**8,235**
Franchise agreements	**19,201**	**(14,294)**	**4,907**
Purchased technology	**122,801**	**(53,525)**	**69,276**
Trade name	**5,800**	**(338)**	**5,462**
Acquired assets pending final allocation (1)	**1,774**	**—**	**1,774**
	$ 1,023,821	**$ (590,747)**	**$ 433,074**
As of January 31, 2019:			
Reacquired franchise rights	$ 350,459	$ (130,618)	$ 219,841
Customer relationships	274,293	(187,080)	87,213
Internally-developed software	147,465	(119,664)	27,801
Noncompete agreements	33,369	(31,040)	2,329
Franchise agreements	19,201	(13,014)	6,187
Purchased technology	54,700	(42,082)	12,618
Acquired assets pending final allocation (1)	963	—	963
	$ 880,450	$ (523,498)	$ 356,952
As of April 30, 2019:			
Reacquired franchise rights	$ 350,410	$ (136,345)	$ 214,065
Customer relationships	274,838	(195,174)	79,664
Internally-developed software	139,239	(109,885)	29,354
Noncompete agreements	33,376	(31,446)	1,930
Franchise agreements	19,201	(13,334)	5,867
Purchased technology	54,700	(43,518)	11,182
Acquired assets pending final allocation (1)	431	—	431
	$ 872,195	$ (529,702)	$ 342,493

(1) Represents franchisee and competitor business acquisitions for which final purchase price allocations have not yet been determined.

We made payments to acquire franchisee and competitor tax businesses totaling $53.7 million and $42.4 million during the nine months ended January 31, 2020 and 2019, respectively. From the current period acquisitions, we have acquired approximately 224 U.S. franchisee and competitor tax offices. The amounts and weighted-average lives of intangible assets acquired during the nine months ended January 31, 2020, including amounts capitalized and placed in service related to internally-developed software, are as follows:

(dollars in 000s)

	Amount	Weighted-Average Life (in years)
Reacquired franchise rights	**$ 13,940**	**5**
Customer relationships	**18,079**	**5**
Internally-developed software	**12,659**	**3**
Noncompete agreements	**642**	**5**
Total	**$ 45,320**	**4**

Amortization of intangible assets for the three and nine months ended January 31, 2020 was $21.5 million and $61.3 million, respectively. Amortization of intangible assets for the three and nine months ended January 31, 2019 was $18.7 million and $54.5 million, respectively. Estimated amortization of intangible assets for fiscal years 2020, 2021, 2022, 2023 and 2024 is $83.0 million, $75.0 million, $58.9 million, $41.3 million and $30.8 million, respectively.

NOTE 6: LONG-TERM DEBT

The components of long-term debt are as follows:

(in 000s)

As of	**January 31, 2020**	January 31, 2019	April 30, 2019
Senior Notes, 4.125%, due October 2020	**$ 650,000**	$ 650,000	$ 650,000
Senior Notes, 5.500%, due November 2022	**500,000**	500,000	500,000
Senior Notes, 5.250%, due October 2025	**350,000**	350,000	350,000
Committed line of credit borrowings	**1,035,000**	385,000	—
Debt issuance costs and discounts	**(5,389)**	(8,011)	(7,371)
	2,529,611	1,876,989	1,492,629
Less: Current portion	**(649,022)**	—	—
	$ 1,880,589	$ 1,876,989	$ 1,492,629

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 January 31, 2020.

We had an outstanding balance of $1.0 billion under the CLOC as of January 31, 2020, and amounts available to borrow were limited by the debt-to-EBITDA covenant to approximately $751 million as of January 31, 2020.

Our Senior Notes due in October 2020 are classified as a current liability as of January 31, 2020 because such amounts are due within one year. We are considering various financing options in regard to the maturing Senior Notes. The estimated fair value of our long-term debt, including the current portion of long-term debt, as of January 31, 2020 and 2019 and April 30, 2019 totaled $2.6 billion, $1.9 billion and $1.6 billion, respectively.

NOTE 7: 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 2018 remain open for examination. Our U.S. federal income tax returns for 2016 and all prior periods are 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.

We had gross unrecognized tax benefits of $148.7 million, $178.1 million and $185.1 million as of January 31, 2020 and 2019 and April 30, 2019, respectively. The gross unrecognized tax benefits decreased $36.4 million and $8.0 million during the nine months ended January 31, 2020 and 2019, respectively. The decrease in unrecognized tax benefits during the nine months ending January 31, 2020 is primarily related to federal and state statute of limitation periods expiring in the fiscal year and favorable audit settlements. We believe it is reasonably possible that the balance of unrecognized tax benefits could decrease by approximately $14.9 million within the next twelve months. The anticipated decrease is due to the expiration of statutes of limitations and anticipated closure of various state matters currently under exam. For such matters where a change in the balance of unrecognized tax benefits is not yet deemed reasonably possible, no estimate has been included.

Consistent with prior years, our pretax loss for the nine months ended January 31, 2020 is expected to be offset by income in the fourth quarter due to the established pattern of seasonality in our primary business operations. As such, management has determined that it is more-likely-than-not that realization of tax benefits recorded in our financial statements will occur within our fiscal year. The amount of tax benefit recorded for the nine months ended January 31, 2020 reflects management’s estimate of the annual effective tax rate applied to the year-to-date loss from continuing operations adjusted for the tax impact of discrete items for the periods presented.

A discrete income tax benefit of $27.7 million was recorded in the nine months ended January 31, 2020 compared to a discrete tax benefit of $8.9 million in the same period of the prior year. The discrete tax benefit recorded in the current period primarily resulted from the settlement of various matters, including expiration of statute of limitations and resolution with tax authorities, and valuation allowance changes related to utilization of foreign losses. The discrete tax benefit recorded in the prior year resulted primarily from favorable audit settlements.

Our effective tax rate for continuing operations, including the effects of discrete tax items, was 29.2% and 25.4% for the nine months ended January 31, 2020 and 2019, respectively. Discrete items increased the effective tax rate for the nine months ended January 31, 2020 and 2019 by 4.3% and 1.5%, respectively. Due to the loss in both periods, a discrete tax benefit in either period increases the tax rate while an item of discrete tax expense decreases the tax rate. The impact of discrete tax items combined with the seasonal nature of our business can cause the effective tax rate through our third quarter to be significantly different than the rate for our full fiscal year.

NOTE 8: OTHER INCOME AND OTHER EXPENSES

The following table shows the components of other income (expense), net:

(in 000s)

	Three months ended January 31,		Nine months ended January 31,	
	2020	2019	**2020**	2019
Interest income	**$ 2,397**	$ 2,258	**$ 12,648**	$ 11,260
Foreign currency gains (losses), net	**(139)**	33	**(25)**	(94)
Other, net	**(379)**	(22)	**1,118**	109
	$ 1,879	$ 2,269	**$ 13,741**	$ 11,275

NOTE 9: COMMITMENTS AND CONTINGENCIES

Assisted tax returns, as well as services provided under Tax Pro Go[SM] and Tax Pro Review[SM], 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 $7.0 million, $7.0 million and $9.9 million as of January 31, 2020 and 2019 and April 30, 2019, 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 $11.4 million, $11.3 million and $11.1 million as of January 31, 2020 and 2019 and April 30, 2019, respectively, with amounts recorded in deferred revenue and other liabilities. 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 short-term loans and revolving lines of credit. Our total obligation under these lines of credit was $40.0 million at January 31, 2020, and net of amounts drawn and outstanding, our remaining commitment to fund totaled $14.2 million.

Emerald Advance[TM] lines of credit (EAs) are originated by Axos Bank, a federal savings Bank (Axos). We purchase a 90% participation interest, at par, in all EAs originated by Axos in accordance with our participation agreement. At January 31, 2020, the principal balance of purchased participation interests for the current year totaled $367.8 million.

On October 8, 2019, we entered into a Refund Advance Program Agreement and certain ancillary agreements with Axos, pursuant to which they originate and fund Refund Advance loans, and provide technology, software, and underwriting support services related to such loans during the 2020 tax season. Refund Advance loans are offered to certain assisted U.S. tax preparation clients, based on client eligibility as determined by the loan originator. We pay loan origination fees based on loan size and customer type. The loan origination fees are intended to cover expected loan losses and payments to capital providers, among other items. We have provided two limited guarantees related to this agreement. We have provided a limited guarantee up to $7.5 million related to loans to clients prior to the IRS accepting electronic filing. At January 31, 2020, we accrued an estimated liability of $1.9 million related to this guarantee, compared to $1.4 million at January 31, 2019. Additionally, we provided a limited guarantee for the remaining loans, up to $57 million in the aggregate, which would cover certain incremental loan losses. We were not required to make a payment in connection with this guarantee for the fiscal year 2019 tax season, and we do not expect that a material amount will be paid for this guarantee under anticipated loss scenarios related to the fiscal year 2020 tax season.

LOSS CONTINGENCIES PERTAINING TO DISCONTINUED MORTGAGE OPERATIONS – SCC ceased originating mortgage loans in December 2007 and, in April 2008, sold its servicing assets and discontinued its remaining operations. 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."

SCC accrues a liability for losses related to representation and warranty claims when those losses are believed to be both probable and reasonably estimable. SCC’s loss estimate is based on the best information currently available, management judgment, developments in relevant case law, and the terms of bulk settlements. In periods when a liability is accrued for such loss contingencies, the liability is included in deferred revenue and other current liabilities on the consolidated balance sheets. SCC had no liability accrued for these losses as of January 31, 2020 and 2019 or April 30, 2019.

See note 11, which addresses contingent losses that may be incurred with respect to various indemnification or contribution claims by underwriters, depositors, and securitization trustees in securitization transactions in which SCC participated.

NOTE 10: LEASES

As discussed in note 1, we adopted ASU 2016-02 on May 1, 2019. 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. We record operating lease right of use (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 used 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. 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.

For the three and nine months ended January 31, 2020, our lease costs consist of the following:

		(in 000s)
	Three months ended January 31, 2020	Nine months ended January 31, 2020
Operating lease costs	$ 59,804	$ 180,734
Variable lease costs	17,822	50,272
Subrental income	(330)	(1,015)
Total lease costs	$ 77,296	$ 229,991

Other information related to operating leases for the nine months ended January 31, 2020 is as follows:

	($ in 000s)
Cash paid for operating lease costs	$ 160,769
Operating lease right of use assets obtained in exchange for operating lease liabilities (1)	251,284
Weighted-average remaining operating lease term (years)	3
Weighted-average operating lease discount rate	3.5%

(1) This balance excludes the initial impacts of the adoption of ASU 2016-02.

Aggregate operating lease maturities as of January 31, 2020 are as follows:

	(in 000s)
Remainder of 2020	$ 61,713
2021	190,233
2022	130,637
2023	73,433
2024	34,988
2025 and thereafter	19,573
Total future undiscounted operating lease payments	510,577
Less imputed interest	(33,388)
Total operating lease liabilities	$ 477,189

As disclosed in our Annual Report on Form 10-K for the fiscal year ended April 30, 2019, our future undiscounted operating lease commitments under the previous accounting standard was $573.3 million.

NOTE 11: 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 January 31, 2020. 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 January 31, 2020 and 2019 and April 30, 2019, our total accrued liabilities were $1.6 million, $3.1 million and $1.9 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 January 31, 2020, 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, but 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) styled *The People of the State of California v. H&R Block, Inc., 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 case was removed to the United States District Court for the Central District of California on June 6, 2019 (Case No. 2:19-cv-04933-ODW-AS). A motion to remand was filed, which was granted on February 11, 2020. 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) styled *Olosoni and Snarr v. H&R Block, 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 plaintiffs filed a first amended complaint on August 9, 2019, dropping H&R Block, Inc. from the case. In their amended complaint, the plaintiffs seek 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 plaintiffs generally allege 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 plaintiffs seek 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. An appeal of the denial of the motion to compel arbitration is pending. The court denied our motion to transfer venue to the United States District Court for the Western District of Missouri. We filed a motion to stay the claims pending the outcome of the appeal, as well as a motion to dismiss the claims, both of which remain 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 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. We filed a motion to stay the proceedings based on the primary jurisdiction doctrine and a motion to compel arbitration, both of which remain pending. 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 RMBSs. In connection with the sale of loans and/or RMBSs, SCC made certain representations and warranties. 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 is proceeding 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. Motions for summary judgment were filed on December 6, 2019 and remain pending, with briefing on the motions continuing through March 2020. A mediation session between the parties was held on January 28, 2020, which did not result in resolution of the case. A trial date has not yet been set. 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 is proceeding 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 are related to some of the loans in this case. Discovery in the case closed on September 30, 2019. Motions for summary judgment were filed on December 6, 2019 and remain pending, with briefing on the motions continuing through March 2020. A mediation session between the parties was held on January 28, 2020, which did not result in resolution of the case. A trial date has not yet been set. We have not concluded that a loss related to this matter is probable, nor have we accrued a liability related to this matter.

Underwriters and depositors 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, or that originators, depositors, servicers, or other parties breached their representations and warranties or otherwise failed to fulfill their obligations. SCC has received notices of claims for indemnification relating to such matters, including lawsuits to which underwriters or depositors are party. Based on information currently available to SCC, it believes that the 21 underwriter lawsuits in which notice of a claim has been made involve 39 securitization transactions with original investments of approximately $14 billion (of which the outstanding principal amount is approximately $2.9 billion). Additional lawsuits against the underwriters or depositors may be filed in the future, and SCC may receive additional notices of claims for indemnification or contribution from underwriters or depositors 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.

Securitization trustees also are, or have been, involved in lawsuits related to securitization transactions in which SCC participated. Plaintiffs in these lawsuits allege, among other things, that originators, depositors, servicers, or other parties breached their representations and warranties or otherwise failed to fulfill their obligations, including that securitization trustees breached their contractual obligations, breached their fiduciary duties, or violated statutory requirements by failing to properly protect the certificate holders’ interests. SCC has received notices from securitization trustees of potential indemnification obligations, and may receive additional notices with respect to existing or new lawsuits or settlements of such lawsuits, in its capacity as originator, depositor, or servicer. We have not concluded that a loss related to any of these indemnification 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 January 31, 2020, total approximately $278 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.

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.

NOTE 12: CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Block Financial LLC (Block Financial) is a 100% owned subsidiary of the Company. Block Financial is the Issuer and the Company is the full and unconditional Guarantor of the Senior Notes, our CLOC and other indebtedness issued from time to time. These condensed consolidating financial statements have been prepared using the equity method of accounting. Earnings of subsidiaries are, therefore, reflected in the Company's investment in subsidiaries account. The elimination entries eliminate investments in subsidiaries, related stockholders' equity and other intercompany balances and transactions.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

(in 000s)

Three months ended January 31, 2020	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Total revenues	**$ —**	**$ 58,231**	**$ 478,704**	**$ (17,730)**	**$ 519,205**
Cost of revenues	**—**	**35,598**	**439,061**	**(12,138)**	**462,521**
Selling, general and administrative	**128**	**7,132**	**207,620**	**(5,592)**	**209,288**
Total operating expenses	**128**	**42,730**	**646,681**	**(17,730)**	**671,809**
Other income (expense), net	**(137,783)**	**11,086**	**8,519**	**120,057**	**1,879**
Interest expense on borrowings	**—**	**(26,300)**	**(5)**	**—**	**(26,305)**
Income (loss) from continuing operations before income tax benefit	**(137,911)**	**287**	**(159,463)**	**120,057**	**(177,030)**
Income tax benefit	**(8,228)**	**(37)**	**(40,739)**	**—**	**(49,004)**
Net income (loss) from continuing operations	**(129,683)**	**324**	**(118,724)**	**120,057**	**(128,026)**
Net loss from discontinued operations	**—**	**(1,037)**	**(620)**	**—**	**(1,657)**
Net loss	**(129,683)**	**(713)**	**(119,344)**	**120,057**	**(129,683)**
Other comprehensive loss	**(3,574)**	**—**	**(3,574)**	**3,574**	**(3,574)**
Comprehensive loss	**$ (133,257)**	**$ (713)**	**$ (122,918)**	**$ 123,631**	**$ (133,257)**

(in 000s)

Three months ended January 31, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Total revenues	$ —	$ 53,461	$ 433,144	$ (18,221)	$ 468,384
Cost of revenues	—	34,533	396,672	(10,179)	421,026
Selling, general and administrative	—	10,347	183,153	(8,042)	185,458
Total operating expenses	—	44,880	579,825	(18,221)	606,484
Other income (expense), net	(134,984)	8,903	348	128,002	2,269
Interest expense on borrowings	—	(22,833)	—	—	(22,833)
Loss from continuing operations before income taxes (benefit)	(134,984)	(5,349)	(146,333)	128,002	(158,664)
Income taxes (benefit)	(8,530)	75	(30,430)	—	(38,885)
Net loss from continuing operations	(126,454)	(5,424)	(115,903)	128,002	(119,779)
Net loss from discontinued operations	—	(6,675)	—	—	(6,675)
Net loss	(126,454)	(12,099)	(115,903)	128,002	(126,454)
Other comprehensive income	1,238	—	1,238	(1,238)	1,238
Comprehensive loss	$ (125,216)	$ (12,099)	$ (114,665)	$ 126,764	$ (125,216)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

(in 000s)

Nine months ended January 31, 2020	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Total revenues	$ —	$ 86,515	$ 768,544	$ (24,691)	$ 830,368
Cost of revenues	—	45,680	912,272	(12,833)	945,119
Selling, general and administrative	1,666	15,319	470,631	(11,858)	475,758
Total operating expenses	1,666	60,999	1,382,903	(24,691)	1,420,877
Other income (expense), net	(477,932)	31,578	23,596	436,499	13,741
Interest expense on borrowings	—	(68,656)	(26)	—	(68,682)
Loss from continuing operations before income tax benefit	(479,598)	(11,562)	(590,789)	436,499	(645,450)
Income tax benefit	(11,669)	(3,047)	(173,430)	—	(188,146)
Net loss from continuing operations	(467,929)	(8,515)	(417,359)	436,499	(457,304)
Net loss from discontinued operations	—	(10,005)	(620)	—	(10,625)
Net loss	(467,929)	(18,520)	(417,979)	436,499	(467,929)
Other comprehensive loss	(4,975)	—	(4,975)	4,975	(4,975)
Comprehensive loss	$ (472,904)	$ (18,520)	$ (422,954)	$ 441,474	$ (472,904)

(in 000s)

Nine months ended January 31, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Total revenues	$ —	$ 81,751	$ 706,775	$ (26,088)	$ 762,438
Cost of revenues	—	46,580	859,759	(12,938)	893,401
Selling, general and administrative	1,476	16,444	399,747	(13,150)	404,517
Total operating expenses	1,476	63,024	1,259,506	(26,088)	1,297,918
Other income (expense), net	(465,085)	27,748	6,498	442,114	11,275
Interest expense on borrowings	—	(65,082)	(132)	—	(65,214)
Loss from continuing operations before income tax benefit	(466,561)	(18,607)	(546,365)	442,114	(589,419)
Income tax benefit	(11,161)	(5,942)	(132,803)	—	(149,906)
Net loss from continuing operations	(455,400)	(12,665)	(413,562)	442,114	(439,513)
Net loss from discontinued operations	—	(15,887)	—	—	(15,887)
Net loss	(455,400)	(28,552)	(413,562)	442,114	(455,400)
Other comprehensive loss	(3,339)	—	(3,339)	3,339	(3,339)
Comprehensive loss	$ (458,739)	$ (28,552)	$ (416,901)	$ 445,453	$ (458,739)

CONDENSED CONSOLIDATING BALANCE SHEETS

(in 000s)

As of January 31, 2020	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Cash & cash equivalents	$ —	$ 6,306	$ 186,034	$ —	$ 192,340
Cash & cash equivalents - restricted	—	—	169,447	—	169,447
Receivables, net	—	410,920	409,026	—	819,946
Prepaid expenses and other current assets	2,811	2,628	114,790	—	120,229
Total current assets	2,811	419,854	879,297	—	1,301,962
Property and equipment, net	—	316	197,253	—	197,569
Operating lease right of use asset	—	257	463,520	—	463,777
Intangible assets, net	—	—	433,074	—	433,074
Goodwill	—	—	838,830	—	838,830
Deferred tax assets and income taxes receivable	3,261	15,953	115,687	—	134,901
Investments in subsidiaries	2,955,158	—	119,213	(3,074,371)	—
Amounts due from affiliates	—	2,212,575	3,253,034	(5,465,609)	—
Other noncurrent assets	—	53,975	28,342	—	82,317
Total assets	$ 2,961,230	$ 2,702,930	$ 6,328,250	$ (8,539,980)	$ 3,452,430
Accounts payable and accrued expenses	1,952	14,407	140,407	—	156,766
Accrued salaries, wages and payroll taxes	—	1,676	115,783	—	117,459
Accrued income taxes and reserves for uncertain tax positions	—	1,060	35,182	—	36,242
Current portion of long-term debt	—	649,022	—	—	649,022
Operating lease liabilities	—	153	187,737	—	187,890
Deferred revenue and other current liabilities	—	30,695	159,547	—	190,242
Total current liabilities	1,952	697,013	638,656	—	1,337,621
Long-term debt and line of credit borrowings	—	1,880,589	—	—	1,880,589
Deferred tax liabilities and reserves for uncertain tax positions	24,623	1,486	146,845	—	172,954
Operating lease liabilities	—	108	289,191	—	289,299
Deferred revenue and other noncurrent liabilities	—	4,521	85,825	—	90,346
Amounts due to affiliates	3,253,034	—	2,212,575	(5,465,609)	—
Total liabilities	3,279,609	2,583,717	3,373,092	(5,465,609)	3,770,809
Stockholders' equity (deficiency)	(318,379)	119,213	2,955,158	(3,074,371)	(318,379)
Total liabilities and stockholders' equity	$ 2,961,230	$ 2,702,930	$ 6,328,250	$ (8,539,980)	$ 3,452,430

CONDENSED CONSOLIDATING BALANCE SHEETS

(in 000s)

As of January 31, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Cash & cash equivalents	$ —	$ 4,722	$ 198,504	$ —	$ 203,226
Cash & cash equivalents - restricted	—	—	101,903	—	101,903
Receivables, net	—	392,257	365,960	—	758,217
Prepaid expenses and other current assets	2,811	2,637	165,858	—	171,306
Total current assets	2,811	399,616	832,225	—	1,234,652
Property and equipment, net	—	466	220,039	—	220,505
Intangible assets, net	—	—	356,952	—	356,952
Goodwill	—	—	520,005	—	520,005
Deferred tax assets and income taxes receivable	1,794	17,941	121,631	—	141,366
Investments in subsidiaries	2,485,857	—	102,763	(2,588,620)	—
Amounts due from affiliates	—	1,559,416	2,679,945	(4,239,361)	—
Other noncurrent assets	—	57,230	38,096	—	95,326
Total assets	$ 2,490,462	$ 2,034,669	$ 4,871,656	$ (6,827,981)	$ 2,568,806
Accounts payable and accrued expenses	$ 14,823	$ 18,475	$ 168,803	$ —	$ 202,101
Accrued salaries, wages and payroll taxes	—	1,333	139,569	—	140,902
Accrued income taxes and reserves for uncertain tax positions	—	1,060	47,949	—	49,009
Deferred revenue and other current liabilities	—	28,441	167,193	—	195,634
Total current liabilities	14,823	49,309	523,514	—	587,646
Long-term debt and line of credit borrowings	—	1,876,989	—	—	1,876,989
Deferred tax liabilities and reserves for uncertain tax positions	9,285	3,989	200,943	—	214,217
Deferred revenue and other noncurrent liabilities	—	1,619	101,926	—	103,545
Amounts due to affiliates	2,679,945	—	1,559,416	(4,239,361)	—
Total liabilities	2,704,053	1,931,906	2,385,799	(4,239,361)	2,782,397
Stockholders' equity (deficiency)	(213,591)	102,763	2,485,857	(2,588,620)	(213,591)
Total liabilities and stockholders' equity	$ 2,490,462	$ 2,034,669	$ 4,871,656	$ (6,827,981)	$ 2,568,806

CONDENSED CONSOLIDATING BALANCE SHEETS (in 000s)

As of April 30, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Cash & cash equivalents	$ —	$ 4,109	$ 1,568,041	$ —	$ 1,572,150
Cash & cash equivalents - restricted	—	—	135,577	—	135,577
Receivables, net	—	35,901	103,064	—	138,965
Prepaid expenses and other current assets	2,812	1,695	142,160	—	146,667
Total current assets	2,812	41,705	1,948,842	—	1,993,359
Property and equipment, net	—	552	211,540	—	212,092
Intangible assets, net	—	—	342,493	—	342,493
Goodwill	—	—	519,937	—	519,937
Deferred tax assets and income taxes receivable	3,218	15,953	122,808	—	141,979
Investments in subsidiaries	3,378,009	—	137,733	(3,515,742)	—
Amounts due from affiliates	—	1,562,958	2,815,617	(4,378,575)	—
Other noncurrent assets	—	54,976	35,109	—	90,085
Total assets	$ 3,384,039	$ 1,676,144	$ 6,134,079	$ (7,894,317)	$ 3,299,945
Accounts payable and accrued expenses	$ 2,272	$ 19,735	$ 227,518	$ —	$ 249,525
Accrued salaries, wages and payroll taxes	—	1,564	194,963	—	196,527
Accrued income taxes and reserves for uncertain tax positions	—	1,060	270,913	—	271,973
Deferred revenue and other current liabilities	—	21,144	183,832	—	204,976
Total current liabilities	2,272	43,503	877,226	—	923,001
Long-term debt	—	1,492,629	—	—	1,492,629
Deferred tax liabilities and reserves for uncertain tax positions	24,623	1,486	171,797	—	197,906
Deferred revenue and other noncurrent liabilities	—	793	144,089	—	144,882
Amounts due to affiliates	2,815,617	—	1,562,958	(4,378,575)	—
Total liabilities	2,842,512	1,538,411	2,756,070	(4,378,575)	2,758,418
Stockholders' equity	541,527	137,733	3,378,009	(3,515,742)	541,527
Total liabilities and stockholders' equity	$ 3,384,039	$ 1,676,144	$ 6,134,079	$ (7,894,317)	$ 3,299,945

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(in 000s)

Nine months ended January 31, 2020	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Net cash used in operating activities	$ —	$ (354,155)	$ (1,113,636)	$ —	$ (1,467,791)
Cash flows from investing:					
Capital expenditures	—	(12)	(66,498)	—	(66,510)
Payments made for business acquisitions, net of cash acquired	—	—	(450,282)	—	(450,282)
Franchise loans funded	—	(32,676)	(214)	—	(32,890)
Payments from franchisees	—	14,135	469	—	14,604
Intercompany borrowings (payments)	—	(649,617)	(408,952)	1,058,569	—
Other, net	—	(10,478)	55,854	—	45,376
Net cash used in investing activities	—	(678,648)	(869,623)	1,058,569	(489,702)
Cash flows from financing:					
Repayments of line of credit borrowings	—	(285,000)	—	—	(285,000)
Proceeds from line of credit borrowings	—	1,320,000	—	—	1,320,000
Dividends paid	(154,827)	—	—	—	(154,827)
Repurchase of common stock, including shares surrendered	(256,199)	—	—	—	(256,199)
Proceeds from exercise of stock options	2,074	—	—	—	2,074
Intercompany borrowings (payments)	408,952	—	649,617	(1,058,569)	—
Other, net	—	—	(14,136)	—	(14,136)
Net cash provided by financing activities	—	1,035,000	635,481	(1,058,569)	611,912
Effects of exchange rates on cash	—	—	(359)	—	(359)
Net increase (decrease) in cash, including restricted balances	—	2,197	(1,348,137)	—	(1,345,940)
Cash, cash equivalents and restricted cash, beginning of period	—	4,109	1,703,618	—	1,707,727
Cash, cash equivalents and restricted cash, end of period	$ —	$ 6,306	$ 355,481	$ —	$ 361,787

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(in 000s)

Nine months ended January 31, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Net cash used in operating activities	$ —	$ (359,101)	$ (988,355)	$ —	$ (1,347,456)
Cash flows from investing:					
Capital expenditures	—	(166)	(79,816)	—	(79,982)
Payments made for business acquisitions, net of cash acquired	—	—	(42,428)	—	(42,428)
Franchise loans funded	—	(16,198)	(677)	—	(16,875)
Payments from franchisees	—	14,834	315	—	15,149
Intercompany borrowings (payments)	—	(18,579)	(254,491)	273,070	—
Other, net	—	(4,746)	9,623	—	4,877
Net cash used in investing activities	—	(24,855)	(367,474)	273,070	(119,259)
Cash flows from financing:					
Repayments of line of credit borrowings	—	(230,000)	—	—	(230,000)
Proceeds from line of credit borrowings	—	615,000	—	—	615,000
Dividends paid	(154,866)	—	—	—	(154,866)
Repurchase of common stock, including shares surrendered	(102,152)	—	—	—	(102,152)
Proceeds from exercise of stock options	2,527	—	—	—	2,527
Intercompany borrowings (payments)	254,491	—	18,579	(273,070)	—
Other, net	—	(668)	(19,458)	—	(20,126)
Net cash provided by (used in) financing activities	—	384,332	(879)	(273,070)	110,383
Effects of exchange rates on cash	—	—	(2,217)	—	(2,217)
Net increase (decrease) in cash, including restricted balances	—	376	(1,358,925)	—	(1,358,549)
Cash, cash equivalents and restricted cash, beginning of period	—	4,346	1,659,332	—	1,663,678
Cash, cash equivalents and restricted cash, end of period	$ —	$ 4,722	$ 300,407	$ —	$ 305,129

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our subsidiaries provide assisted, DIY, and virtual 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 financial partners, to the general public primarily in the U.S., Canada, Australia, and their respective territories. 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. We report a single segment that includes all of our continuing operations.

RECENT DEVELOPMENTS

On June 28, 2019, we acquired Wave HQ Inc. (formerly known as Wave Financial Inc.) and its subsidiaries (collectively, Wave). See additional discussion in Item 1, note 1.

RESULTS OF OPERATIONS

Operating Statistics (U.S. only)

Nine months ended January 31,	2020	2019	Change	% Change
Tax returns prepared: (in 000s) (1)				
Company-owned operations	**1,476**	1,310	166	12.7 %
Franchise operations	**676**	657	19	2.9 %
Total assisted	**2,152**	1,967	185	9.4 %
Desktop	**133**	128	5	3.9 %
Online	**1,308**	1,164	144	12.4 %
Total DIY	**1,441**	1,292	149	11.5 %
IRS Free File	**142**	101	41	40.6 %
Total U.S. Returns	**3,735**	3,360	375	11.2 %
Net Average Charge: (2)				
Company-owned operations	$ **244.87**	$ 252.60	$ (7.73)	(3.1)%
Franchise operations (3)	**242.76**	244.08	(1.32)	(0.5)%
DIY	**29.17**	29.15	0.02	0.1 %

As of January 31,	2020	2019	Change	% Change
Tax offices:				
Company-owned offices	**6,552**	6,356	196	3.1 %
Franchise offices	**2,909**	3,148	(239)	(7.6)%
Total U.S. offices	**9,461**	9,504	(43)	(0.5)%

(1) An assisted tax return is defined as a current or prior year individual tax return that has been accepted and paid for by the client. Also included are Tax Pro Go℠, Tax Pro Review℠, and business returns. A DIY return is defined as a return that has been electronically filed and accepted by the IRS. Also included are online returns paid and printed.
(2) Net average charge is calculated as tax preparation fees divided by tax returns prepared. For DIY, net average charge excludes IRS Free File.
(3) 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.

RESULTS OF OPERATIONS

Consolidated – Financial Results				(in 000s, except per share amounts)
Three months ended January 31,	**2020**	2019	$ Change	% Change
Revenues:				
U.S. assisted tax preparation	**$ 283,956**	$ 256,813	$ 27,143	10.6 %
U.S. royalties	**44,965**	42,265	2,700	6.4 %
U.S. DIY tax preparation	**34,089**	31,996	2,093	6.5 %
International	**11,804**	12,304	(500)	(4.1)%
Refund Transfers	**50,494**	47,482	3,012	6.3 %
Emerald Card®	**16,657**	14,980	1,677	11.2 %
Peace of Mind® Extended Service Plan	**16,954**	16,596	358	2.2 %
Tax Identity Shield®	**8,138**	7,655	483	6.3 %
Interest and fee income on Emerald Advance™	**32,741**	30,924	1,817	5.9 %
Wave	**11,213**	—	11,213	**
Other	**8,194**	7,369	825	11.2 %
Total revenues	**519,205**	468,384	50,821	10.9 %
Compensation and benefits:				
Field wages	**165,435**	153,764	11,671	7.6 %
Other wages	**63,808**	54,243	9,565	17.6 %
Benefits and other compensation	**45,397**	42,778	2,619	6.1 %
	274,640	250,785	23,855	9.5 %
Occupancy	**102,788**	94,407	8,381	8.9 %
Marketing and advertising	**84,760**	72,876	11,884	16.3 %
Depreciation and amortization	**44,147**	44,088	59	0.1 %
Bad debt	**36,527**	33,861	2,666	7.9 %
Other (1)	**128,947**	110,467	18,480	16.7 %
Total operating expenses	**671,809**	606,484	65,325	10.8 %
Other income (expense), net	**1,879**	2,269	(390)	(17.2)%
Interest expense on borrowings	**(26,305)**	(22,833)	(3,472)	(15.2)%
Pretax loss	**(177,030)**	(158,664)	(18,366)	(11.6)%
Income tax benefit	**(49,004)**	(38,885)	10,119	26.0 %
Net loss from continuing operations	**(128,026)**	(119,779)	(8,247)	(6.9)%
Net loss from discontinued operations	**(1,657)**	(6,675)	5,018	75.2 %
Net loss	**$ (129,683)**	$ (126,454)	$ (3,229)	(2.6)%
BASIC AND DILUTED LOSS PER SHARE:				
Continuing operations	**$ (0.66)**	$ (0.58)	$ (0.08)	(13.8)%
Discontinued operations	**(0.01)**	(0.04)	0.03	75.0 %
Consolidated	**$ (0.67)**	$ (0.62)	$ (0.05)	(8.1)%
EBITDA from continuing operations (2)	**$ (106,578)**	$ (91,743)	$ (14,835)	(16.2)%

(1) We reclassified $10.0 million of supplies expense from its own financial statement line to other expenses for fiscal year 2019 to conform to the current year presentation.
(2) See "Non-GAAP Financial Information" at the end of this item for a reconciliation of non-GAAP measures.

Three months ended January 31, 2020 compared to January 31, 2019

Revenues increased $50.8 million, or 10.9%, from the prior year period.

Revenues for U.S. assisted tax preparation increased $27.1 million, or 10.6% primarily due to higher tax return volumes and slightly offset by lower net average charge. U.S. Royalties increased $2.7 million, or 6.4% mostly due to higher franchise tax return volume. Revenues from U.S. DIY tax preparation increased $2.1 million, or 6.5%, primarily due to higher online volumes. Revenues from Refund Transfers increased $3.0 million, or 6.3%, due to higher volumes.

Revenues of $11.2 million were recognized by Wave, which we acquired on June 28, 2019, and therefore were not included in our results of operations in the prior year period.

Total operating expenses increased $65.3 million, or 10.8%, from the prior year. Field wages increased $11.7 million, or 7.6% primarily due to higher wages due to the increase in return volumes. Other wages increased $9.6 million, or 17.6%, primarily due to higher information technology wages, and the acquisition of Wave. Marketing expenses increased $11.9 million, or 16.3%, due to the timing of online advertising expenses. Occupancy increased $8.4 million, or 8.9%, primarily due to facilities repairs, telecommunication expenses and higher rental rates.

Other expenses increased $18.5 million, or 16.7%. The components of other expenses are as follows:

Three months ended January 31,	**2020**	2019	$ Change	% Change
Consulting and outsourced services	**$ 32,124**	$ 24,812	$ 7,312	29.5 %
Bank partner fees	**29,448**	23,461	5,987	25.5 %
Client claims and refunds	**6,604**	6,063	541	8.9 %
Employee travel and related expenses	**10,921**	9,309	1,612	17.3 %
Technology-related expenses	**19,199**	14,255	4,944	34.7 %
Credit card/bank charges	**10,627**	3,274	7,353	224.6 %
Insurance	**3,309**	4,680	(1,371)	(29.3)%
Legal fees and settlements	**4,838**	4,842	(4)	(0.1)%
Supplies	**6,412**	9,950	(3,538)	(35.6)%
Other	**5,465**	9,821	(4,356)	(44.4)%
	$ 128,947	$ 110,467	$ 18,480	16.7 %

Consulting expenses increased $7.3 million due primarily to additional resources for our technology initiatives, while technology-related expenses increased $4.9 million primarily due to expenses related to cloud computing services. Bank partner fees increased $6.0 million due to higher Refund Advance origination fees. Credit card and bank charges increased $7.4 million as a result of the acquisition of Wave.

We recorded an income tax benefit in the current year of $49.0 million compared to $38.9 million in the prior year. See Item 1, note 7 to the consolidated financial statements for additional discussion.

RESULTS OF OPERATIONS

Consolidated - Financial Results (in 000s, except per share amounts)

Nine months ended January 31,	2020	2019	$ Change	% Change
Revenues:				
U.S. assisted tax preparation	$ 358,174	$ 329,569	$ 28,605	8.7 %
U.S. royalties	59,644	57,898	1,746	3.0 %
U.S. DIY tax preparation	42,040	37,771	4,269	11.3 %
International	97,311	96,980	331	0.3 %
Refund Transfers	52,794	49,466	3,328	6.7 %
Emerald Card®	39,128	38,704	424	1.1 %
Peace of Mind® Extended Service Plan	75,451	77,491	(2,040)	(2.6)%
Tax Identity Shield®	17,308	17,639	(331)	(1.9)%
Interest and fee income on Emerald Advance™	33,780	31,768	2,012	6.3 %
Wave	25,740	—	25,740	**
Other	28,998	25,152	3,846	15.3 %
Total revenues	830,368	762,438	67,930	8.9 %
Compensation and benefits:				
Field wages	280,231	262,792	17,439	6.6 %
Other wages	178,389	152,111	26,278	17.3 %
Benefits and other compensation	100,579	89,887	10,692	11.9 %
	559,199	504,790	54,409	10.8 %
Occupancy	292,470	290,013	2,457	0.8 %
Marketing and advertising	101,190	88,356	12,834	14.5 %
Depreciation and amortization	125,409	126,013	(604)	(0.5)%
Bad debt	37,594	33,191	4,403	13.3 %
Other (1)	305,015	255,555	49,460	19.4 %
Total operating expenses	1,420,877	1,297,918	122,959	9.5 %
Other income (expense), net	13,741	11,275	2,466	21.9 %
Interest expense on borrowings	(68,682)	(65,214)	(3,468)	(5.3)%
Pretax loss	(645,450)	(589,419)	(56,031)	(9.5)%
Income tax benefit	(188,146)	(149,906)	38,240	25.5 %
Net loss from continuing operations	(457,304)	(439,513)	(17,791)	(4.0)%
Net loss from discontinued operations	(10,625)	(15,887)	5,262	33.1 %
Net loss	$ (467,929)	$ (455,400)	$ (12,529)	(2.8)%
BASIC AND DILUTED LOSS PER SHARE:				
Continuing operations	$ (2.31)	$ (2.13)	$ (0.18)	(8.5)%
Discontinued operations	(0.05)	(0.08)	0.03	37.5 %
Consolidated	$ (2.36)	$ (2.21)	$ (0.15)	(6.8)%
EBITDA from continuing operations (2)	$ (451,359)	$ (398,192)	$ (53,167)	(13.4)%

(1) We reclassified $15.3 million of supplies expense from its own financial statement line to other expenses for fiscal year 2019 to conform to the current year presentation.
(2) See "Non-GAAP FInancial Information" at the end of this item for a reconciliation of non-GAAP measures.

Nine months ended January 31, 2020 compared to January 31, 2019

Revenues increased $67.9 million, or 8.9%, from the prior year period. U.S. assisted tax preparation fees increased $28.6 million, or 8.7%, due to higher tax return volumes and slightly offset by lower net average charge. Revenues from U.S. DIY tax preparation increased $4.3 million, or 11.3%, primarily due to higher online volumes. Revenues from Refund Transfers increased $3.3 million, or 6.7%, due to higher volumes.

Revenues of $25.7 million were recognized by Wave, which we acquired on June 28, 2019, and therefore were not included in our results of operations in the prior year period.

Total operating expenses increased $123.0 million, or 9.5%, from the prior year period. Field wages increased $17.4 million, or 6.6%, primarily due to higher wages due to the increase in return volumes. Other wages increased $26.3 million, or 17.3%, primarily due to higher information technology wages and the acquisition of Wave. Benefits and other compensation increased $10.7 million, or 11.9% primarily due to higher stock based compensation, retirement savings plan contributions and employee insurance expenses. Marketing expense increased $12.8 million, or 14.5%, due to the timing of online advertising expenses. Bad debt increased $4.4 million, or 13.3%, due to higher refund transfer volumes.

Other expenses increased $49.5 million, or 19.4%. The components of other expenses are as follows:

Nine months ended January 31,	**2020**	2019	$ Change	% Change
Consulting and outsourced services	**$ 74,597**	$ 63,444	$ 11,153	17.6 %
Bank partner fees	**32,303**	26,294	6,009	22.9 %
Client claims and refunds	**25,305**	28,783	(3,478)	(12.1)%
Employee travel and related expenses	**33,159**	29,515	3,644	12.3 %
Technology-related expenses	**50,178**	44,932	5,246	11.7 %
Credit card/bank charges	**24,455**	8,420	16,035	190.4 %
Insurance	**11,548**	10,979	569	5.2 %
Legal fees and settlements	**21,139**	8,331	12,808	153.7 %
Supplies	**14,958**	15,343	(385)	(2.5)%
Other	**17,373**	19,514	(2,141)	(11.0)%
	$ 305,015	$ 255,555	$ 49,460	19.4 %

Consulting and outsourced services increased $11.2 million primarily due to additional resources for our technology initiatives. Bank partner fees increased $6.0 million due to higher Refund Advance origination fees. Credit card and bank charges increased $16.0 million as a result of the acquisition of Wave, while legal fees increased $12.8 million due to fees associated with ongoing legal matters, as discussed in Item 1, note 11 to the consolidated financial statements.

We recorded an income tax benefit in the current year of $188.1 million compared to $149.9 million in the prior year. See Item 1, note 7 to the consolidated financial statements for additional discussion.

Total U.S. return volume increased 1.4% through February 28, 2020 compared to the prior year period due to an increase in DIY online and IRS Free File returns, which was slightly offset by a decrease in assisted returns. Our business is highly seasonal and results for the nine months ended January 31, as well as results for the period ended February 28, may not be indicative of results for the entire fiscal year.

FINANCIAL CONDITION

These comments should be read in conjunction with the consolidated balance sheets and consolidated statements of cash flows included in Part 1, Item 1.

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. Therefore, we 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 rely on available cash balances from the prior tax season and borrowings to meet our off-season liquidity needs.

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 January 31, 2020 are sufficient to meet our operating, investing and financing needs.

DISCUSSION OF CONSOLIDATED STATEMENTS OF CASH FLOWS – The following table summarizes our statements of cash flows for the nine months ended January 31, 2020 and 2019. See Item 1 for the complete consolidated statements of cash flows for these periods.

(in 000s)

Nine months ended January 31,	2020	2019
Net cash provided by (used in):		
Operating activities	**$ (1,467,791)**	$ (1,347,456)
Investing activities	**(489,702)**	(119,259)
Financing activities	**611,912**	110,383
Effects of exchange rates on cash	**(359)**	(2,217)
Net change in cash, cash equivalents and restricted cash	**$ (1,345,940)**	$ (1,358,549)

Operating Activities. Cash used in operations increased, primarily due to the timing of payments for accounts payable, accrued expenses, salaries, wages and payroll taxes combined with an increase in receivables, which is slightly offset by a decline in prepaid expenses.

Investing Activities. Cash used in investing activities totaled $489.7 million for the nine months ended January 31, 2020 compared to $119.3 million in the prior year period. This change resulted primarily from the acquisition of Wave, partially offset by the receipt of cash on an available-for-sale debt security in the current year.

Financing Activities. Cash provided by financing activities totaled $611.9 million for the nine months ended January 31, 2020 compared to $110.4 million in the prior year period. This change resulted primarily from borrowings on our CLOC partially offset by higher share repurchases completed in the current year.

CASH REQUIREMENTS –

Dividends and Share Repurchases. 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 $154.8 million and $154.9 million for the nine months ended January 31, 2020 and 2019, 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 $751.8 million which is effective through June 2022. Although we may continue to repurchase shares, there is no assurance that we will purchase up to the full Board authorization.

Capital Investment. Capital expenditures totaled $66.5 million and $80.0 million for the nine months ended January 31, 2020 and 2019, 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 Wave and franchisee and competitor businesses totaling $450.3 million in the current year compared to franchisee and competitor businesses totaling $42.4 million in the prior year. See Item 1, note 1 and note 5 for additional information on our acquisitions.

FINANCING RESOURCES – We had an outstanding balance of $1.0 billion under the CLOC as of January 31, 2020. Amounts available to borrow were limited by the debt-to-EBITDA covenant to approximately $751 million as of January 31, 2020. See Item 1, note 6 to the consolidated financial statements.

Our Senior Notes due in October 2020 are classified as a current liability as of January 31, 2020. We are considering various financing options in regard to the maturing Senior Notes and anticipate these options will provide adequate liquidity to fund the cash requirements at or prior to maturity.

If we elect to obtain new debt or refinance existing debt in the future, the terms and availability of such financing may be impacted by economic and financial market conditions, as well as our financial condition, results of operations, and credit ratings at the time we seek additional financing. Though we expect to be able to obtain any desired debt financing in the future, there can be no assurances that we will be able to obtain such financing on terms that will be acceptable or advantageous to us.

The following table provides ratings for debt issued by Block Financial as of January 31, 2020 and April 30, 2019:

As of	**January 31, 2020**			April 30, 2019		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Moody's	**P-3**	**Baa3**	**Negative**	P-3	Baa3	Negative
S&P	**A-2**	**BBB**	**Stable**	A-2	BBB	Stable

Other than described above, there have been no material changes in our borrowings from those reported as of April 30, 2019 in our Annual Report on Form 10-K.

CASH AND OTHER ASSETS – As of January 31, 2020, we held cash and cash equivalents, excluding restricted amounts, of $192.3 million, including $103.7 million held by our foreign subsidiaries.

Foreign Operations. When necessary, our international businesses are funded by our U.S. operations. To mitigate foreign currency exchange rate risk, we sometimes enter into foreign exchange forward contracts. There were no forward contracts outstanding as of January 31, 2020.

We do not currently intend to repatriate any non-borrowed funds held by our foreign subsidiaries.

The impact of changes in foreign exchange rates during the period on our international cash balances resulted in a decrease of $0.4 million during the nine months ended January 31, 2020 compared to a decrease of $2.2 million in the prior year.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS – EAs are originated by Axos. We purchase a 90% participation interest, at par, in all EAs originated by Axos in accordance with our participation agreement. At January 31, 2020, the principal balance of purchased participation interests totaled $367.8 million.

We have provided limited guarantees under our Refund Advance Program Agreement of up to $7.5 million related to loans to clients prior to the IRS accepting electronic filing, with additional limited guarantees for the remaining loans, up to $57 million in the aggregate, which would cover certain incremental loan losses. See Item 1, note 9 to the consolidated financial statements for additional discussion.

Other than as described above, there have been no material changes in our contractual obligations and commercial commitments from those reported as of April 30, 2019 in our Annual Report on Form 10-K.

REGULATORY ENVIRONMENT

There have been no material changes in our regulatory environment from what was reported as of April 30, 2019 in our Annual Report on Form 10-K.

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. We believe removing the impacts of amortization of acquired intangibles provides a more meaningful indicator of performance and will assist in understanding our financial results.

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, 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 loss to EBITDA from continuing operations, which is a non-GAAP financial measure:

(in 000s)

	Three months ended January 31,		Nine months ended January 31,	
	2020	2019	**2020**	2019
Net loss - as reported	**$ (129,683)**	$ (126,454)	**$ (467,929)**	$ (455,400)
Discontinued operations, net	**1,657**	6,675	**10,625**	15,887
Net loss from continuing operations - as reported	**(128,026)**	(119,779)	**(457,304)**	(439,513)
Add back:				
Income taxes of continuing operations	**(49,004)**	(38,885)	**(188,146)**	(149,906)
Interest expense of continuing operations	**26,305**	22,833	**68,682**	65,214
Depreciation and amortization of continuing operations	**44,147**	44,088	**125,409**	126,013
	21,448	28,036	**5,945**	41,321
EBITDA from continuing operations	**$ (106,578)**	$ (91,743)	**$ (451,359)**	$ (398,192)

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

(in 000s, except per share amounts)

	Three months ended January 31,		Nine months ended January 31,	
	2020	2019	**2020**	2019
Net loss from continuing operations	**$ (128,026)**	$ (119,779)	**$ (457,304)**	$ (439,513)
Adjustments:				
Amortization of intangibles related to acquisitions (pretax)	**19,179**	16,142	**54,997**	46,453
Tax effect of adjustments [(1)]	**(4,956)**	(3,820)	**(13,667)**	(11,116)
Adjusted net loss from continuing operations	**$ (113,803)**	$ (107,457)	**$ (415,974)**	$ (404,176)
Diluted loss per share (GAAP)	**$ (0.66)**	$ (0.58)	**$ (2.31)**	$ (2.13)
Adjustments, net of tax	**0.07**	0.06	**0.21**	0.17
Adjusted loss per share (non-GAAP)	**$ (0.59)**	$ (0.52)	**$ (2.10)**	$ (1.96)

(1) Tax effect of adjustments is computed as the pretax effect of the adjustments multiplied by our effective tax rate before discrete items.

FORWARD-LOOKING INFORMATION

This report and other documents filed with the 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," "goal," "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. 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 our Annual Report on Form 10-K for the fiscal year ended April 30, 2019 and are also described from time to time in other filings with the SEC. Investors should carefully consider all of these risks, and should pay particular attention to Item 1A, "Risk Factors," and Item 7 under "Critical Accounting Policies" of our Annual Report on Form 10-K for the fiscal year ended April 30, 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks from those reported at April 30, 2019 in our Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES – As of the end of the period covered by this Form 10-Q, management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING – There were no changes during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, see discussion in Part I, Item 1, note 11 to the consolidated financial statements.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those reported at April 30, 2019 in our Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

A summary of our purchases of H&R Block common stock during the third quarter of fiscal year 2020 is as follows:

(in 000s, except per share amounts)

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
November 1 - November 30	**—**	**$ —**	**—**	**$ 817,568**
December 1 - December 31	**1,945**	**$ 23.29**	**1,945**	**$ 772,278**
January 1 - January 31	**874**	**$ 23.43**	**872**	**$ 751,837**
	2,819	**$ 23.33**	**2,817**	

(1) We purchased approximately 2 thousand shares in connection with funding employee income tax withholding obligations arising upon the lapse of restrictions on restricted share units.

(2) 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.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

10.1	H&R Block, Inc. 2000 Employee Stock Purchase Plan, as amended and restated on March 2, 2020.
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline 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	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements 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
March 9, 2020

/s/ Tony G. Bowen

Tony G. Bowen
Chief Financial Officer
March 9, 2020

/s/ Kellie J. Logerwell

Kellie J. Logerwell
Chief Accounting Officer
March 9, 2020

H&R BLOCK, INC.
2000 EMPLOYEE STOCK PURCHASE PLAN
(as amended and restated effective January 1, 2020)

SECTION 1. PURPOSE OF PLAN

The H&R Block, Inc. 2000 Employee Stock Purchase Plan (the "Plan") is designed to encourage and assist employees of the subsidiaries of H&R Block, Inc. (collectively H&R Block, Inc. ("Block") and such subsidiaries shall be referred to as the "Company") to acquire an equity interest in Block through the purchase of shares of Block common stock, without par value ("Common Stock"). This Plan is intended to constitute an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code (the "Code").

SECTION 2. ADMINISTRATION OF THE PLAN

The Plan shall be administered by Block's Board of Directors (the "Board") or by a committee of the Board (the "Committee") appointed by the Board and serving at its pleasure (the Board or any such Committee being herein referred to as the "Administrator"). Until such time as the Board shall determine otherwise, the Compensation Committee of the Board shall serve as Administrator. The Administrator shall have full power and authority, not inconsistent with the express provisions of the Plan, to administer and interpret the Plan, including the authority to:

(i) grant options and authorize the issuance of shares;
(ii) make and amend all rules, regulations, guidelines, procedures and policies for administering the Plan;
(iii) decide all questions and settle all disputes that may arise in connection with the Plan;
(iv) appoint persons and entities to act as designated representatives on its behalf in administering the Plan pursuant to its provisions (in which case the term "Administrator" as used herein shall include such persons or entities to the extent of such appointment);
(v) establish accounts with a person or entity appointed pursuant to (iv) above ("Custodian") to hold Common Stock purchased under the Plan ("Stock Account");
(vi) cause Block to enter into a written agreement with the Custodian setting forth the terms and conditions upon which Stock Accounts shall be governed ("Custodial Agreement"); and
(vii) require Participants to hold shares of Common Stock under the Plan in Stock Accounts (in which case each Participant's decision to participate in the Plan shall constitute the appointment of such Custodian as custodial agent for the purpose of holding such shares) until such time as shall be specified in the Custodial Agreement.

All interpretations, decisions and determinations made by the Administrator shall be binding on all persons concerned.

SECTION 3. NATURE AND NUMBER OF SHARES

The Common Stock subject to issuance under the terms of the Plan shall be authorized but unissued shares or previously issued shares reacquired and held by the Company. The aggregate number of shares that may be issued under the Plan shall not exceed 6,000,000 shares of Common Stock.

In the event of any reorganization, recapitalization, stock split, reverse stock split, stock dividend, combination of shares, exchange of shares, merger, consolidation, offering of rights or other similar change in the capital structure of the Company, the Board or the Committee may make such adjustment, if any, as it deems appropriate in the number, kind and purchase price of the shares available for purchase under the Plan and in the maximum number of shares which may be issued under the Plan.

SECTION 4. <u>ELIGIBILITY</u>

Each individual employed by a Participating Subsidiary (as hereinafter defined), except as provided below, shall be eligible to participate in the Plan ("Employee"). The following individuals shall be excluded from participation:

(a) Persons who, as of the date of grant of an Option, have been continuously employed by the Participating Subsidiary for less than twelve (12) consecutive months;

(b) Persons who, immediately upon the grant of an Option, own directly or indirectly, or hold options or rights to acquire, an aggregate of five percent (5%) or more of the total combined voting power or value of all outstanding shares of all classes of Block or any Subsidiary; and

(c) Persons who are customarily employed by the Company less than twenty (20) hours per week or for not more than five (5) months in any calendar year.

For purposes of the Plan, a "Subsidiary" is any corporation or other entity in which Block owns, directly or indirectly, stock (or other ownership interests) possessing fifty percent (50%) or more of the total combined voting power of all classes of stock (or other ownership interests). A "Participating Subsidiary" is any Subsidiary meeting the requirements above that is designated by the Administrator as a subsidiary whose employees are eligible to participate in the Plan.

SECTION 5. <u>ENROLLMENT AND WITHDRAWAL</u>

Each eligible Employee may enroll or re-enroll in the Plan as of the first day of any Option Period (as hereinafter defined) after the Employee first becomes eligible to participate. To enroll, an Employee must complete and sign an enrollment form (including a payroll deduction authorization) in a form acceptable to the Administrator and submit it to the Company, or use such other means to enroll as is authorized by the Administrator, at least 15 calendar days prior to the commencement of such Option Period or by such other date as the Administrator may prescribe. Participation in the Plan is voluntary. A "Participant" shall be an Employee enrolled in the Plan.

A Participant will automatically be enrolled in all future Option Periods unless the Participant elects otherwise during an open enrollment period. If a Participant withdraws from the Plan, he or she will cease to be a Participant and may only participate in future Option Periods if he or she re-enrolls in the Plan during an open enrollment period in accordance with the preceding paragraph.

SECTION 6. <u>GRANT OF OPTIONS</u>

Under the Plan, each "Option Period" shall be a period of approximately six (6) months beginning on January 1 and July 1, respectively, and ending on June 30 and December 31, respectively, or such other period (not to exceed 5 years) as the Board or the Committee may designate from time to time.

Each person who is a Participant on the first day of an Option Period (the "Grant Date") will as of such day be granted an option for the Period (the "Option"). Such Option will be for the number of whole and fractional shares of Common Stock to be determined by dividing (i) the balance credited to the

Participant's Payment Account (as defined in Section 7(b)) during such Option Period by means of payroll deduction (or such other means deemed acceptable by the Administrator) as of the Purchase Date (as determined under Section 8 below), by (ii) the purchase price per share of the Common Stock as determined under Section 8. In addition to other limitations imposed under the Plan, the maximum number of whole and fractional shares of Common Stock that may be purchased with payments made by a Participant during an Option Period equals $25,000 divided by the fair market value of the Common Stock on the Grant Date.

The Administrator will reduce, on a proportionate basis, the number of shares of Common Stock receivable by each Participant upon exercise of his or her Option for an Option Period in the event that the number of shares then available under the Plan is otherwise insufficient, and will return to Participant without interest any remaining unused balance in the Participant's Payment Account as soon as administratively practicable.

SECTION 7. METHOD OF PAYMENT

(a) Form of Payment. Payment for shares shall be made in installments through after-tax payroll deductions over the Option Period, with such deductions taken from paychecks dated during the Option Period, or in such other form of payment deemed acceptable by the Administrator.

Subject to the limits below and in Section 6, each Participant may elect through payroll withholding during the Option Period (or such other means deemed acceptable by the Company) to have credited to his or her Payment Account an amount not less than one percent, and not greater than ten percent (10%) of Compensation (as defined below); provided that the Administrator from time to time before an enrollment date may establish limits other than those herein described for all purchases to occur during the relevant Option Period.

For purposes of the Plan, "Compensation" shall mean all compensation paid to the Participant by the Company and currently includible in his or her income, including such amounts as commissions, overtime, and other amounts includible in the general definition of compensation provided in Treasury Regulation §1.415-2(d)(1), plus any amount that would be so included but for the fact that it was contributed to (a) a qualified plan pursuant to an elective deferral under Section 401(k) of the Code, (b) a nonqualified deferred compensation plan, and/or (c) a cafeteria plan on a before-tax basis pursuant to an election under Section 125 of the Code, but not including (i) payments under stock option plans and other employee benefit plans or other amounts excluded from the definition of compensation provided in the Treasury Regulations under Section 415 of the Code, (ii) bonuses or compensation paid under short-term incentive plans, and (iii) reimbursements or other expense allowances, fringe benefits (cash and noncash), moving expenses, payments of benefits under nonqualified deferred compensation plans, and welfare benefits.

A Participant shall have thirty (30) days from the date of the first written statement confirming the Participant’s elected amount to be withheld to advise the Administrator in writing that the Participant’s elected amount was not properly implemented. If a Participant fails to inform the Administrator within such 30-day period, such Participant shall be deemed to have selected the amount to be withheld from Compensation that was implemented until another election is received and a new Option Period begins.

(b) Accounts. A "Payment Account" means the book entry account maintained by the Company or Administrator to record the amount of Participant's payments made pursuant to Section 7(a). All payments by each Participant shall be credited to such Participant's Payment Account pending the purchase of Common Stock in accordance with the provisions of the Plan. All such amounts in the Payment Account shall be assets of the Company and may be used by the Company for any corporate purpose. No interest will be paid on amounts credited to a Participant's Payment Account.

(c) Limits on Purchase. In no event shall the rights of any Participant to purchase shares (under this Plan and under any other stock purchase plans of Block or any Subsidiary) accrue at a rate that exceeds $25,000 as measured by the fair market value of such shares (determined in the case of each such share as of the date of grant of the related option) for each calendar year in which such option is outstanding at any time. If, in any calendar year, a Participant holds two or more options (under this Plan and under any other stock purchase plans of Block or any Subsidiary), then the Participant’s purchases of shares of Common Stock attributable to that calendar year under all such options must not exceed $25,000 as measured by the fair market value of such shares (determined in the case of each such share as of the date of grant of the related option).

SECTION 8. PURCHASE PRICE

The purchase price of Common Stock issued pursuant to the exercise of an Option shall be eighty-five percent (85%) of the fair market value of Common Stock on the last trading day of the Option Period (the "Purchase Date").

Fair market value shall mean the closing price of Common Stock on the New York Stock Exchange or other national securities exchange on which the Common Stock is then principally traded or, if that measure of price is not available, on a composite index of such exchanges or, if that measure of price is not available, in a national market system for securities. In the event that there are no sales of Common Stock on any such exchange or market on the Grant Date, the fair market value of the Common Stock shall be deemed to be the closing sales price on the next following day on which Common Stock was sold on any such exchange or market. In the event that there are no sales of Common Stock on any such exchange or market on the Purchase Date, the fair market value of the Common Stock shall be deemed to be the closing sales price on the next preceding day on which Common Stock was sold on any such exchange or market. In the event that the Common Stock is not listed on any such market or exchange on the Grant or Purchase Dates, a reasonable valuation of the fair market value of the Common Stock on such dates shall be made by the Administrator.

SECTION 9. EXERCISE OF OPTIONS; SIX-MONTH HOLDING PERIOD

If an Employee is a Participant in the Plan on a Purchase Date, he or she will be deemed to have exercised the Option granted to him or her for the period ending on that Purchase Date. Upon such exercise, the Company will apply the balance of the Participant's Payment Account to the purchase of the number of whole or fractional shares of Common Stock determined under Section 6 and, as soon as practicable thereafter, will issue and deliver said whole shares to the Participant (unless Stock Accounts are established by the Administrator pursuant to Section 2 of the Plan). Any cash remaining in the Participant's Payment Account shall be paid to Participant without interest.

Notwithstanding anything herein to the contrary, Block's obligation to issue and deliver whole shares of Common Stock under the Plan will be subject to the approval required by any governmental authority in connection with the authorization, issuance, sale or transfer of said shares, to any requirements of any national securities exchange applicable thereto, and to compliance by Block with other applicable legal requirements in effect from time to time.

Any shares of Common Stock issued under the Plan may not be sold, transferred or assigned for a period of six months after the date issued. Each certificate or book entry representing shares of Common Stock issued under this Plan during such six-month period shall bear the following legend or notation:

> "These Shares may not be sold, transferred or assigned, and the issuer shall not be required to give effect to any attempted sale, transfer or assignment, until a date that is more than six months after the date of issuance.";

or such other legend or notation as shall be approved by the Administrator.

SECTION 10. <u>TERMINATION OF EMPLOYMENT</u>

Subject to Section 11, upon the termination of a Participant's employment with the Company for any reason, the Participant's Payment Account balance shall be frozen to future accruals and the Participant shall be withdrawn from Plan participation and cease to be a Participant. Upon the cessation of participation, any Option held by the Participant under the Plan will be deemed cancelled, the balance of the Participant's Payment Account will be returned to the Participant, without interest, or, in the case of death, refunded or paid in accordance with Section 11, without interest, as soon as administratively practicable and the Participant will have no further rights under the Plan.

SECTION 11. <u>DEATH OF A PARTICIPANT</u>

Upon the death of a Participant any cash then credited to the Participant's Payment Account will be refunded to the Participant's estate without interest.

SECTION 12. <u>ASSIGNMENT</u>

Except as provided in Section 11 above, funds, securities, rights or other property held for the account of a Participant shall not be sold, pledged, assigned, transferred, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, or similar process. A Participant's right to purchase shares under the Plan shall be exercisable during the Participant's lifetime only by the Participant. If this provision is violated, the Participant's election to purchase Common Stock shall terminate and the only obligation of the Company remaining under the Plan will be to refund to the Participant the amount then credited to his or her Payment Account and deliver to Participant any whole shares of Common Stock credited to him or her under any Stock Account.

SECTION 13. <u>EQUAL RIGHTS AND PRIVILEGES</u>

All eligible Employees shall have equal rights and privileges with respect to the Plan so that the Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 or any successor provisions of the Code and related regulations. Any provision of the Plan that is inconsistent with Section 423 or any successor provision of the Code shall without further act of amendment by the Company be reformed to comply with the requirements of Section 423. This Section 13 shall take precedence over all other provisions of the Plan.

SECTION 14. <u>RIGHTS AS STOCKHOLDER</u>

A Participant shall have no rights as a stockholder under an Option until he or she becomes a stockholder as herein provided. A Participant will become a stockholder with respect to shares for which payment has been completed as provided in Section 8 as of the close of business on the Purchase Date for the Option Period.

SECTION 15. MODIFICATION AND TERMINATION OF THE PLAN

The Board or the Committee may terminate the Plan at any time and may at any time and from time to time amend the Plan in any manner permitted by law. No amendment shall be effective unless within one (1) year after it is adopted by the Board it is approved by Block's shareholders in the manner prescribed under the Treasury Regulations under Section 423 of the Code, if such amendment would:

(i) increase the number of shares reserved for purchase under the Plan, unless such increase is by reason of any change in the capital structure of the Company referred to in Section 3 hereof;
(ii) change the designation of corporations or other entities whose employees may be offered Options under the Plan, except as permitted under Treasury Regulations ss.1.423-2(c)(4);
(iii) materially modify the requirements as to eligibility for participation in the Plan; or
(iv) materially increase the benefits accruing to Participants under the Plan.

In the event the Plan is terminated, the Board or Committee may elect to terminate all outstanding Options either immediately or upon completion of the purchase of shares on the next Purchase Date, unless the Board has determined that the right to make all such purchases shall expire on some other designated date occurring prior to the next Purchase Date. If Options are terminated prior to expiration, all funds contributed to the Plan that have not been used to purchase shares shall be returned without interest to the Participants.

SECTION 16. OTHER PROVISIONS

Options and other documentation under the Plan shall contain such other provisions as the Administrator shall deem advisable, provided that no such provision shall conflict with the express terms of the Plan.

SECTION 17. EMPLOYMENT RIGHTS

Nothing contained in the provisions of the Plan shall be construed to give to any individual the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge any employee at any time.

Exhibit 31.1

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 quarterly report on Form 10-Q 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: March 9, 2020

/s/ Jeffrey J. Jones II

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

Exhibit 31.2

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 quarterly report on Form 10-Q 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: March 9, 2020

/s/ Tony G. Bowen

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

Exhibit 32.1

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

In connection with the quarterly report of H&R Block, Inc. (the “Company”) on Form 10-Q for the fiscal quarter ending January 31, 2020 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

Jeffrey J. Jones II
Chief Executive Officer
H&R Block, Inc.
March 9, 2020

Exhibit 32.2

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

In connection with the quarterly report of H&R Block, Inc. (the “Company”) on Form 10-Q for the fiscal quarter ending January 31, 2020 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.
March 9, 2020