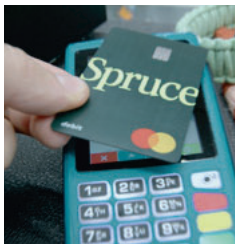
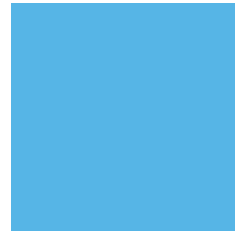
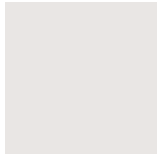
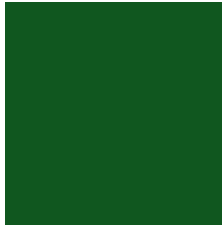
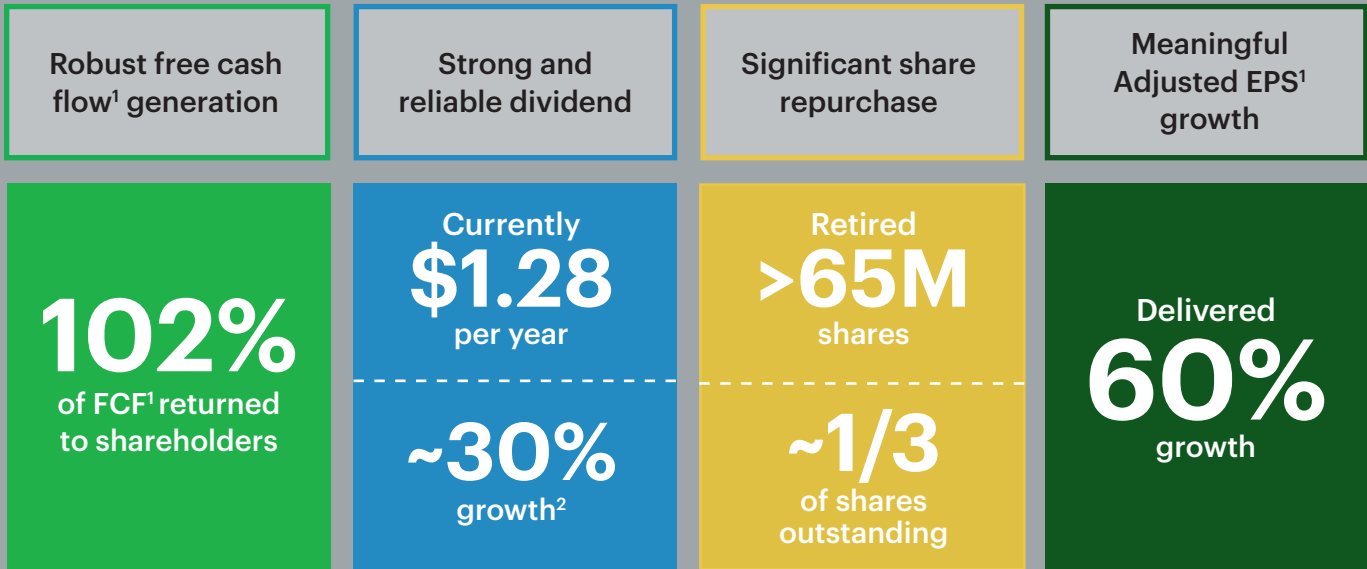


# 2023 Annual Report



**H&R  
BLOCK®**

**Strong Capital Allocation Practice**  
Over the last five years:



**Block Horizons 2025 Long Term Growth Strategy**  
Three Strategic Imperatives:



<sup>1</sup>Free cash flow and adjusted earnings per share (EPS) are non-GAAP financial measures. Free cash flow is defined as net cash provided by operating activities less capital expenditures. The Company believes free cash flow is useful as an indication of the strength of the Company and its ability to generate cash and to evaluate the Company's cash generation ability relative to competitors. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. Please see the last 3 pages of this Annual Report for information on non-GAAP financial measures and reconciliations to the most directly comparable financial measures in accordance with GAAP.

<sup>2</sup>Dividend growth is calculated as percentage growth from our March 2019 dividend to our September 2023 dividend.

<sup>3</sup>Banking products offered by Pathward®, N.A., Member FDIC.



**Jeffery J. Jones II**  
President & CEO



## Fellow Shareholders,

In fiscal 2023, we delivered revenue growth, material EBITDA<sup>1</sup> growth, and EPS and adjusted EPS<sup>1</sup> growth of 9%. As we discussed at the beginning of the year, we knew we were facing headwinds due to the rollback of the advanced child tax credit payments that were loaded onto the Emerald Card. During the year we also had foreign exchange impacts, stimulus filers that returned to the sidelines, and California's deadline extension. Overall, I'm pleased with the results we produced despite these challenges.

Our DIY strategy delivered, resulting in meaningful market share gains. We demonstrated pricing power in the Assisted channel and saw positive customer satisfaction metrics, small business tax continued to be a growth driver, and our mobile banking platform, Spruce, added ~150K new sign ups and made an impact to users by helping them to be better with their money.

In addition, we have partnered with Microsoft to leverage its Azure OpenAI services and leading genAI technology to fuel faster and better experiences for taxpayers. While we have been building in house capabilities for some time, we believe we can further accelerate our progress by leveraging the most advanced AI models in the world while continuing to keep data security a top priority.

We also continued to drive value for shareholders through our capital allocation program. We repurchased \$550 million of shares outstanding, retiring another 9% of our float, and announced a 10% increase to the dividend in August of 2023, reflecting the Board's confidence in our business.

Let me share more detail on our progress:

## An Update on Our Block Horizons Strategic Imperatives

This year was the third year of our five-year Block Horizons journey to drive transformational change. We continued to make progress across all three of our strategic imperatives:

### Small business: Continues to be a Growth Driver

Small Business Assisted tax delivered 6% revenue growth for the fiscal year, on top of strong growth last year, led by a 5% net average charge (NAC) increase. We also see a nice runway of longer-term opportunities in services. While early, our bookkeeping and payroll services are gaining traction, and this year we launched a business formation tool to allow small business customers to take advantage of benefits that may come from incorporating. Additionally, our new internal sales team more than doubled appointment to sale conversion rates, accelerating growth in services. All in all, I am pleased with the trends in Small Business and continue to see significant opportunity ahead.

Regarding Wave, in fiscal 2023, revenue increased 12%. Our top priorities are driving revenue growth and improving profitability, and we are working on a robust roadmap of other new features to roll out in the coming months.

### Financial Products: Spruce, Our Mobile Banking Platform, is Making an Impact

Our Financial Products imperative is focused on developing new solutions and experiences that inspire confidence and help ease the financial burden of our clients. Spruce, our mobile banking platform, represents a move in our

<sup>1</sup>Earnings before interest taxes, depreciation, and amortization (EBITDA) and adjusted EPS are non-GAAP financial measures. Please see the last 3 pages of this Annual Report for information on non-GAAP financial measures and reconciliations to the most directly comparable financial measures in accordance with GAAP.



Through April 30:

**4%**  
Assisted NAC  
increase

**>10%**  
growth in Assisted  
clients with >\$100K  
of income

**2.5%**  
online client growth, and  
meaningful DIY share gains

transformational journey to become a year-round financial services provider. After initially launching Spruce in the DIY channel in FY22, we introduced it in the Assisted channel in FY23. Since launch through June 30, 2023, we have had 300K signups and \$334M in customer deposits.

Spruce is committed to helping customers be good with money, and we are seeing progress toward that impact goal. A higher percentage of users are now saving money, and the balances accumulating in savings accounts continues to grow. These savings accounts allow users to customize goals in order to save for the things they want, and the budget watchlist feature utilizes flexible guardrails to help build healthy spending habits. Feedback from users indicate that these tools give them the visibility and control that they have been missing in their financial lives.

**Block Experience: Blends Digital Tools with Human Expertise and Care**

At H&R Block, we serve clients however they want to be served: fully virtual to fully in person, and everything in between.

In the DIY channel this year, our goal was to return to market share growth by increasing awareness that we offer a DIY product, improving the product, and making it easier to switch from TurboTax®. This multifaceted strategy worked: online clients grew 2.5% through April 30, and we gained 35 basis points of market share. We are looking forward to continuing this momentum in fiscal 2024.

In the Assisted channel through April 30, we successfully increased company NAC by 4% while receiving strong customer satisfaction metrics.

**“Looking back over the last few years, we’ve made significant strides in our products, services, and features within our Block Horizons strategy, and we feel well positioned for fiscal year 2024.”**

We also attracted higher income clients and saw more than 10% growth in those with over \$100K of income; and, we continued to see progress in the adoption of virtual tools.

As I mentioned earlier, genAI creates significant opportunity to serve our clients better and more efficiently, and we are leaning into the technology. Our initial two focus areas are 1) to reduce expenses and increase productivity, and 2) to deliver enhanced customer experiences. We have dedicated teams working on these efforts, and we are excited about the possibilities ahead.

Looking back over the last few years, we’ve made significant strides in our products, services, and features within our Block Horizons strategy, and we feel well positioned for fiscal year 2024.

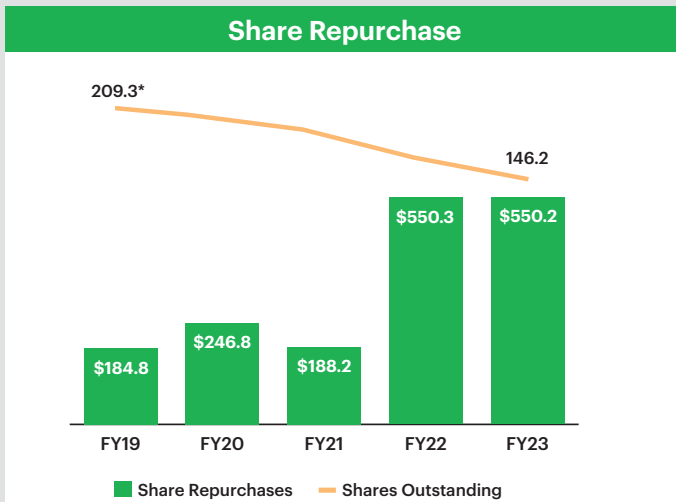
**Our Capital Allocation Story Remains Strong**

As we have consistently shared, we produce significant and stable cash flow, pay a growing dividend, and buy back a meaningful amount of shares every year.



This year we generated over \$700 million of free cash flow<sup>1</sup> and returned a similar amount to shareholders. For fiscal 2023, our free cash flow yield<sup>1</sup> (calculated as free cash flow<sup>1</sup> divided by market cap) was over 16%, which is more than three times the S&P 500.

We completed \$550 million of share repurchases this year and retired 9% of shares outstanding. Over the last five years, we have reduced shares outstanding from 209 million to 146 million, or 32% of our float.

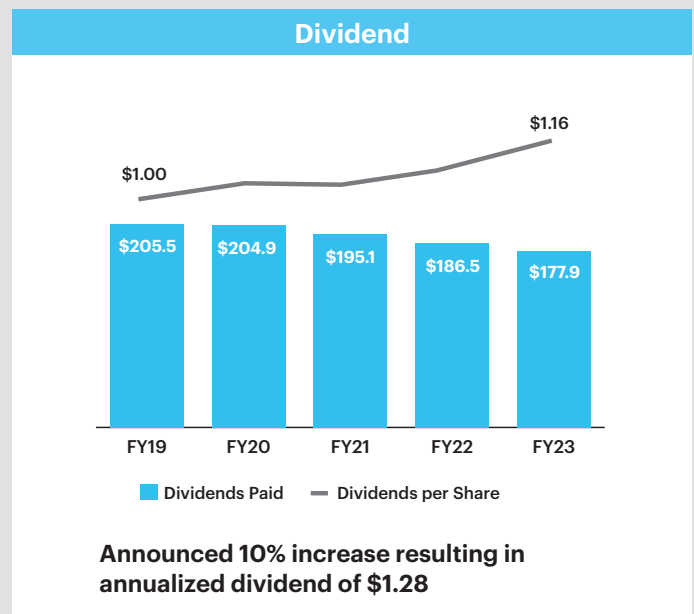


**Reduced shares outstanding by 32% in five years; continue to believe this is a great use of capital**

\*209.3M shares outstanding as of May 1, 2018.

We were pleased to announce a 10% increase to the dividend in August of 2023, and over the last five years, we have increased the dividend by about 30%. What is great about this aspect of our capital allocation approach is that

despite increasing the dividend, the total dollars paid has been decreasing because we have acquired so many shares, which has created a nice flywheel.



We are confident in our ability to drive ongoing value for shareholders with these practices.

### Doing Our Part: At H&R Block, We Care

Our Purpose is to provide help and inspire confidence in our clients and communities everywhere. As part of this Purpose, we believe in doing our part to be a responsible corporate citizen, which has been a part of our culture and aspirations from the very beginning. As such, we remain strongly committed to carrying out the legacy of our co-founders, Henry and Richard Bloch, to be a force for positive change.

Note: Charts in millions except for per share amounts. FY19, FY20, and FY21 represent the fiscal period ended April 30. FY22 and FY23 represent the fiscal period ended June 30.

<sup>1</sup>Free cash flow and free cash flow yield are non-GAAP financial measures. Free cash flow is defined as net cash provided by operating activities less capital expenditures. Free cash flow yield is defined as free cash flow divided by the market value of equity (market capitalization). Please see the last 3 pages of this Annual Report for information on non-GAAP financial measure and reconciliations to the most directly comparable financial measures in accordance with GAAP.

In FY23:

**\$550M**

in share repurchases

**~15M**

shares retired, or 9%  
of shares outstanding

**>\$700M**

free cash flow<sup>1</sup>  
generated

**>16%**

free cash flow yield<sup>1</sup>

**“We work to foster a culture of belonging, where every voice is heard and our associates feel safe, included, and inspired.”**

We work to foster a culture of belonging, where every voice is heard and our associates feel safe, included, and inspired. Our Connected Culture puts associates and clients at the heart of our strategic focus. It creates an environment of clear accountability, partnership, and trust – all focused on common goals, allowing for accelerated business and personal progress. I am proud of the recognition we have received for our efforts, including being named one of Forbes Best Employers for Diversity for the third consecutive year.

Our Make Every Block Better community impact platform continues to build connections among neighbors and support small business owners from coast to coast. This year we also took part in pledging \$10 million towards the South Loop Link project in Kansas City, where our world headquarters is located. This project is designed to make the downtown area more inclusive, equitable, and vibrant while providing job opportunities and access to healthier lifestyles.

We also understand the importance of addressing the environmental and social challenges we face together as a global community, and we are making progress in our journey. Our ESG initiatives are not just about compliance; they are integral to our Purpose and long-term success.

In fiscal year 2023 we developed a comprehensive GHG emissions inventory for our global operations, in line with the GHG Protocol, to provide greater transparency on our operational impacts. We also launched our ‘Path to Print Less’ initiative as we believe we can materially reduce paper usage over the next several years. I invite you to learn more about our efforts in our fourth annual ESG report, which was published in tandem with this Annual Report.

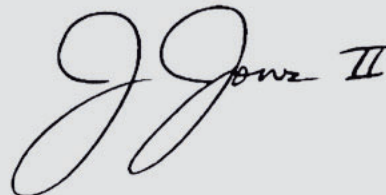
Together, we can continue to create a positive impact.

### **Closing with Gratitude**

As I reflect on the passing of another year, I would like to thank our network of H&R Block tax professionals, franchisees, and associates, who all embody our Purpose every day. I would also like to express my appreciation to our Board of Directors as we collaboratively work to generate and maximize value for our shareholders. Lastly, I want to express my sincere gratitude to shareholders for their investment and continued support.

I am looking forward to all we will accomplish in the next year and beyond.

Sincerely,



**Jefferey J. Jones II**  
President and Chief Executive Officer

<sup>1</sup>Free cash flow and free cash flow yield are non-GAAP financial measures. Please see the last 3 pages of this Annual Report for information on non-GAAP financial measure and reconciliations to the most directly comparable financial measures in accordance with GAAP.



**“At H&R Block, being a responsible corporate citizen** that connects with our people, communities, and planet has been a part of our culture and aspirations from the very beginning.”

Jeffrey J. Jones II  
President & CEO



## Environmental

We care about our planet

Committed to reducing consumption and waste



## Social

We care about our people

Remain committed to our associates' total well-being across operations



## Governance

A culture of integrity

Proactive, sound, and ethical corporate governance practices



Please refer to our Annual ESG report which can be found on the H&R Block Investor Relations website at <https://investors.hrblock.com/corporate-governance/esg-corporate-responsibility> for more detail.

# Our Purpose is to provide help and inspire confidence in our clients and communities everywhere.

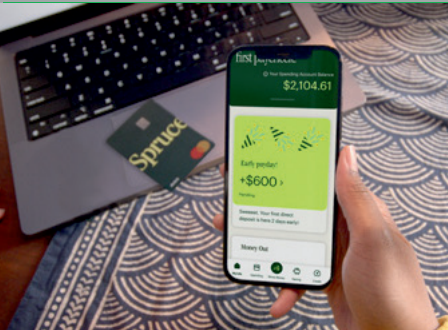
With this Purpose, forming meaningful relationships is at the heart of everything we do—whether that’s helping our customers, creating a Connected Culture for our associates, or connecting with the communities where we live and serve.

A few of the ways we demonstrated our Purpose in FY23:



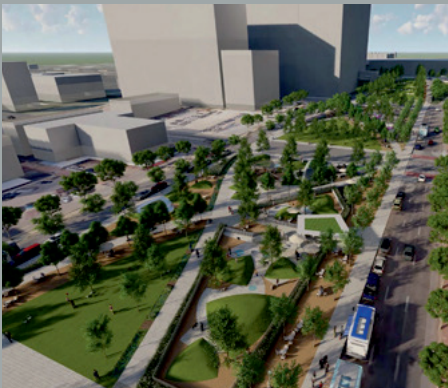
## Make Every Block Better

We commemorated the life and legacy of our co-founder Henry Bloch by proclaiming what would have been his 100th birthday as ‘Make Every Block Better Day’. In honor of this milestone, 100 teams of H&R Block associates volunteered throughout the community.



## Spruce

In January of 2023, we launched our mobile banking platform, Spruce, in our tax offices. Spruce has empowered clients to be better with money, grow their financial health, and build financial literacy. Feedback from users indicate that the available tools give them the visibility and control that they have been missing in their financial lives.



In February of 2023, in partnership with the H&R Block Foundation and the Marion and Henry Bloch Family Foundation, we pledged \$10 million towards the South Loop Link project in Kansas City, where our world headquarters is located. This investment will make the downtown area more inclusive, equitable, and vibrant while providing job opportunities and access to healthier lifestyles. A more sustainable downtown with improved air quality, reduced noise, and a commitment to prioritize pedestrians, cyclists, and multimodal transportation will be created and empowered as a result.

## Awards & Recognition

We are proud of the recognition we have received in FY23 to date from multiple organizations in many different categories, including:



America’s most Innovative Companies 2023



Forbes America’s Best Large Employers 2022



Forbes Best Employers for Diversity 2023  
■ For the third consecutive year



Forbes Best Employers for New Grads 2023



Kansas City Business Journal’s Champions of Business Award



Best Places to Work for LGBTQ Equality 2022



Urban Neighborhood Initiative’s Champion of Hope Award



Top-Rated ESG Performer by Sustainalytics



Certified a Great Place to work  
■ For the third consecutive year



2023 Fortune Best Workplace in Financial Services & Insurance™ List





FORM 10-K

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended **June 30, 2023**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from            to

Commission file number **1-06089**

**H&R Block, Inc.**

(Exact name of registrant as specified in its charter)

**Missouri**

(State or other jurisdiction of  
incorporation or organization)

**44-0607856**

(I.R.S. Employer  
Identification No.)

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

(Address of principal executive offices, including zip code)

**(816) 854-3000**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, without par value	HRB	New York Stock Exchange

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

Common Stock, without par value

(Title of Class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large Accelerated Filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the registrant's Common Stock (all voting stock) held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold on December 30, 2022, was \$5,496,269,711.

Number of shares of the registrant's Common Stock, without par value, outstanding on July 31, 2023: 146,996,414.

**Documents incorporated by reference**

The definitive proxy statement for the registrant's 2023 Annual Meeting of Shareholders, to be filed no later than 120 days after June 30, 2023, is incorporated by reference in Part III to the extent described therein.

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**2023 FORM 10-K AND ANNUAL REPORT  
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## INTRODUCTION

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

Specified portions of our proxy statement are "incorporated by reference" in response to certain items. Our proxy statement will be made available to shareholders no later than 120 days after June 30, 2023, and will also be available on our website at [www.hrblock.com](http://www.hrblock.com).

## FORWARD-LOOKING STATEMENTS

This report and other documents filed with the Securities and Exchange Commission (SEC) may contain forward-looking statements. In addition, our senior management may make forward-looking statements orally to analysts, investors, the media and others. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words or variation of words such as "expects," "anticipates," "intends," "plans," "believes," "commits," "seeks," "estimates," "projects," "forecasts," "targets," "would," "will," "should," "could," "may" or other similar expressions. Forward-looking statements provide management's current expectations or predictions of future conditions, events or results. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements. They may include estimates of revenues, client trajectory, income, effective tax rate, earnings per share, cost savings, capital expenditures, dividends, share repurchases, liquidity, capital structure, market share, industry volumes or other financial items, descriptions of management's plans or objectives for future operations, services or products, or descriptions of assumptions underlying any of the above. They may also include the expected impact of external events beyond the Company's control, such as outbreaks of infectious disease (including the coronavirus (COVID-19) pandemic), severe weather events, natural or manmade disasters, or changes in the regulatory environment in which we operate.

Readers are cautioned not to place undue reliance on these forward-looking statements, which 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. Investors should understand that it is not possible to predict or identify all such factors and, consequently, should not consider any such list to be a complete set of all potential risks or uncertainties.

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

## PART I

### ITEM 1. BUSINESS

#### OVERVIEW

H&R Block provides help and inspires confidence in its clients and communities everywhere through global tax preparation services, financial products, and small business solutions. We blend digital innovation with human expertise and care to help people get the best outcome at tax time and also be better with money by using our mobile banking app, Spruce<sup>SM</sup>.

H&R Block, Inc. was organized as a corporation in 1955 under the laws of the State of Missouri. A complete list of our subsidiaries as of June 30, 2023 can be found in [Exhibit 21](#).

During fiscal year 2023, we prepared  
**20.1 million U.S. tax returns<sup>(1)</sup>**  
which contributed to our consolidated revenues of  
**\$3.5 billion,**  
net income from continuing operations of  
**\$561.8 million,**  
EBITDA<sup>(2)</sup> from continuing operations of  
**\$914.7 million,**  
and diluted EPS from continuing operations of  
**\$3.56 per share.**  
We repurchased  
**14.6 million shares of our common stock,**  
and declared dividends of  
**\$1.16 per share,**  
which was an increase of  
**\$0.08, or 7.4%, per share from the prior year.**

<sup>(1)</sup> U.S. Tax returns prepared includes tax returns prepared in U.S. company and franchise office locations, virtually, and through our DIY solutions.

<sup>(2)</sup> See "[Non-GAAP Financial Information](#)" in Item 7 for a reconciliation of non-GAAP measures.

## FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

We report a single segment that includes all of our continuing operations, which includes tax preparation, small business services, and financial services and products. See discussion below.

During fiscal year 2021, we introduced Block Horizons, our five year strategy that will leverage our human expertise and technological infrastructure to deliver growth by driving tax solution innovation, helping small businesses to thrive, and support individuals where they need the most help with money.

### Small Business

During fiscal year 2023 small business assisted tax improved client satisfaction metrics, and continued to focus on helping small business clients beyond tax. We launched an entity formation tool to allow small business customers to take advantage of benefits that may come from incorporating, and while early, our bookkeeping and payroll services are gaining traction. Wave is our one-stop money management platform for small business owners. Our top two priorities at Wave are accelerating revenue growth and driving long term profitability.

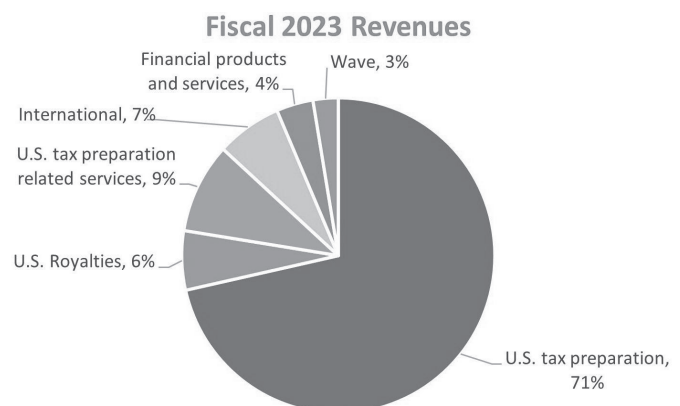
### Financial Products

In January 2023, we introduced Spruce<sup>SM</sup>, our mobile banking platform, to our assisted clients for the first time. Since the launch of Spruce<sup>SM</sup> through June 30, 2023, we have had 300 thousand signups and \$334 million dollars in customer deposits. Spruce<sup>SM</sup> is committed to helping clients be better with money, and we are seeing progress towards that goal. During the year, we launched new features enabling clients to easily set up direct deposit within the app with just a few clicks and build healthy spending habits. Thousands of clients have engaged with the tools within the app, and feedback indicates that features give them the visibility and control they have been missing in their financial lives. From here, we are working to improve how we acquire clients both in and out of the tax season.

### Block Experience

Block Experience is all about blending technology and digital tools with human expertise and care to serve clients however they want to be served: fully virtual to fully in person and everything in between. We have been successful in driving digital adoption by leveraging the MyBlock app features such as uploading documents, approving returns online, and utilizing virtual chat. This year, more than 30% of assisted clients used a virtual tool during their tax preparation experience within our company-owned offices.

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



## TAX PREPARATION SERVICES

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

Our online software may be accessed through our website at [www.hrblock.com](http://www.hrblock.com) or in a mobile application, while our desktop software may be purchased online and through third-party retail stores.

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

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

## OTHER OFFERINGS

During fiscal year 2023, we also offered U.S. clients a number of additional services, including Refund Transfers (RT), our Peace of Mind<sup>®</sup> Extended Service Plan (POM), H&R Block Emerald Prepaid Mastercard<sup>®</sup> (Emerald Card<sup>®</sup>), H&R Block Emerald Advance<sup>®</sup> Lines of Credit (EA), Tax Identity Shield<sup>®</sup> (TIS), Refund Advances (RA), and small business financial solutions. For our Canadian clients, we also offer POM, H&R Block's Instant Refund<sup>SM</sup>, H&R Block Pay With Refund<sup>®</sup>, and small business financial solutions.

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

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

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

**H&R Block Emerald Advance<sup>®</sup> Lines of Credit.** EAs are lines of credit offered to clients in our offices, from mid-November through mid-January, in amounts up to \$1,000. If the borrower meets certain criteria as agreed in the loan terms, the line of credit can be utilized year-round. In addition to the required monthly payments, borrowers



may elect to pay down balances on EAs with their tax refunds. These lines of credit are offered by our bank partner, and we subsequently purchase a participation interest in all EAs originated by our bank partner.

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

**Refund Advance Loans.** RAs are interest-free loans offered by our bank partner, which are available to eligible U.S. assisted clients in company-owned and participating franchise locations, including virtual clients. In tax season 2023, RAs were offered in amounts of \$250, \$500, \$750, \$1,250 and \$3,500, based on client eligibility as determined by our bank partner.

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

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

## SEASONALITY OF BUSINESS

Because the majority of our clients file their tax returns during the period from February through April in a typical year, a substantial majority of our revenues from income tax return preparation and related services and products are earned during this period. As a result, we generally operate at a loss through the first two quarters of our fiscal year.

## COMPETITIVE CONDITIONS

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

We are one of the largest providers of tax return preparation solutions and electronic filing services in the U.S., Canada, and Australia with 23.4 million returns filed by or through H&R Block in fiscal year 2023.

## GOVERNMENT REGULATION

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

## HUMAN CAPITAL

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

**Associates.** We had approximately 4,000 regular full-time associates as of June 30, 2023. Our business is dependent on the availability of a seasonal workforce, including tax professionals, and our ability to hire, train, and supervise these associates. The highest number of persons we employed during the fiscal year ended June 30, 2023, including seasonal associates, was approximately 74,400.

**Associate Engagement.** We administer an annual survey to all associates to better understand their levels of engagement and identify areas where we can improve. In previous years, we compared our scores against a global benchmark, which is the average of thousands of companies. This year we aspirationally changed our benchmark from the global benchmark to the top 25th percentile of the global benchmark to challenge our associates and leaders and to yield reports that are easier for leaders to identify opportunities to take action. Across the company, over half of culture and engagement questions measured were at or above the top 25th percentile of the global benchmark. We are pleased with our overall employee satisfaction score which continues on an upward trend. This year, individual leaders at all levels have begun formally creating and monitoring culture and engagement-related goals to continue our upward trajectory.

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

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

**Diversity, Inclusion and Belonging.** We continually evaluate our management approaches to improving diversity and inclusion, which includes looking at how we can provide a sense of belonging in the workplace for our associates. We believe taking care of our associates significantly increases their job satisfaction and is instrumental to the company's ongoing success. We materialized these efforts through our Belonging@Block program which is a council of associates from multiple departments across the organization with the responsibility to represent and improve our diverse and inclusive culture. We have continued to grow our membership in diversity and inclusion groups focusing on LGBTQ+, neurodiversity, young professionals, veterans, women, and Black associates. We have also extended our diversity and inclusion efforts to support supplier diversity, enhancement of our Racial Equity Action Plan, and the development of a program that supports technology talent diversity. We also remain committed to building a Connected Culture—one in which trust, care, and connections are how we work together as we continue to create an environment where everyone feels safe to bring their authentic self to work every day and feels like they belong as part of a larger team. Our people are the number one enabler for living our Purpose and we value our associates by offering various talent development opportunities, tax training and support, and regularly assessing compensation policies and data to ensure pay equity. To thank our associates and protect against heightened stress, burnout, and uncertainty, we have implemented 'The Annual Reboot,' a paid week of time off offered during the first week of July to disconnect and recharge. Because of our efforts to foster a culture of belonging, we are consistently recognized as a top employer in many different categories.

## SERVICE MARKS AND TRADEMARKS

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

## INFORMATION ABOUT OUR EXECUTIVE OFFICERS



**Jeffrey J. Jones II**, 55, became our President and Chief Executive Officer in October 2017 and was our President and Chief Executive Officer-Designate from August 2017 to October 2017. Before joining the Company, he served as the President of Ridesharing at Uber Technologies, Inc. from October 2016 until March 2017. He also served as the Executive Vice President and Chief Marketing Officer of Target Corporation from April 2012 until September 2016.



**Tony G. Bowen**, 48, became our Chief Financial Officer in May 2016. Prior to that, he served as our Vice President, U.S. Tax Services Finance from May 2013 through April 2016.



**Kellie J. Logerwell**, 53, became our Chief Accounting Officer in July 2016. Prior to that, she served as our Vice President of Corporate and Field Accounting from December 2014 until July 2016 and as our Assistant Controller from December 2010 until December 2014.



**Dara S. Redler**, 56, became our Chief Legal Officer in January 2022. Prior to joining the Company, she served as General Counsel and Corporate Secretary for Tilray, Inc. from January 2019 until September 2021. She also held various legal roles of increasing responsibility with The Coca-Cola Company from September 2001 until December 2018.

## AVAILABILITY OF REPORTS AND OTHER INFORMATION

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

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

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

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

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

## ITEM 1A. RISK FACTORS

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

An investment in our securities involves risk, including the risk that the value of that investment may decline or that returns on that investment may fall below expectations. There are a number of factors that could cause actual conditions, events, or results to differ materially from those described in forward-looking statements, many of which are beyond management's control or its ability to accurately estimate or predict, or that could adversely affect our financial position, results of operations, cash flows, and the value of an investment in our securities. The risks described below are not the only ones we face. We could also be affected by other events, factors, or uncertainties that are presently unknown to us or that we do not currently consider to be significant risks to our business.

### STRATEGIC AND INDUSTRY RISKS

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

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

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

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

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

We face substantial competition throughout our businesses. All categories in the tax return preparation industry are highly competitive, and additional competitors have entered, and in the future may enter, the market to provide tax preparation services or products. In the assisted tax services category, there are a substantial number of tax return preparation firms and accounting firms offering tax return preparation services. Commercial tax return preparers are highly competitive with regard to price and service. In DIY and virtual, options include various forms of digital electronic assistance, including online and mobile applications, and desktop software, all of which we offer. Our DIY and virtual services and products compete with a number of online and software companies, primarily on price and functionality. Individual tax filers may elect to change their tax preparation method, choosing from among various assisted, DIY, and virtual offerings.

Our Block Horizons strategy is focused on small businesses, financial products and the tax client experience. While we believe that our strategic objectives reflect opportunities that are appropriate and achievable, it is possible that our objectives may not deliver projected long-term growth in revenue and profitability due to competition, inadequate execution, incorrect assumptions, sub-optimal resource allocation, or other reasons, including any of the other risks described in this “Risk Factors” section. If we are unable to realize the desired benefits from our business strategy, our ability to compete across our business and our consolidated financial position, results of operations, and cash flows could be adversely affected.

Technology advances quickly and in new and unexpected ways, and it is difficult to predict the manner in which these changes will impact the tax return preparation industry, the problems we may encounter in enhancing our services and products, or the time and resources we may need to devote to the creation, support, and maintenance of technological enhancements. In addition, new technologies, such as those related to artificial intelligence, machine learning, automation, and algorithms, may have unexpected consequences, which may be due to their limitations, potential manipulation or unintended uses, or our failure to use or implement them effectively. If we are slow to enhance our services, products, or technologies, if our competitors are able to achieve results more quickly than us, if there are new and unexpected entrants into the industry, or if there are new technologies available that provide products or services that compete with ours, we may fail to capture, or lose, a significant share of the market.

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

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

U.S. federal, state, and foreign governmental authorities in certain jurisdictions in which we operate currently offer, or facilitate the offering of, tax return preparation and electronic filing options to taxpayers at no charge, and certain volunteer organizations also prepare tax returns at no charge for low-income taxpayers. In addition, many of our competitors offer certain tax preparation services and products, and other financial services and products, at no charge. Government tax authorities, volunteer organizations, our competitors, and potential new market entrants may also elect to implement or expand free offerings in the future. Free File, Inc., which operates under an agreement that is currently set to expire in October 2025, is currently the sole means through which the IRS offers free DIY tax software to taxpayers, however the IRS is not prohibited from offering competing services. For example, in May 2023, the IRS announced that it is beginning a limited pilot project to evaluate customer support and technology needs related to a direct online tax filing system, and is also evaluating the IRS’s ability to overcome the potential operational challenges associated with such a system. As a result of this or other programs,

the federal government could become our direct competitor, which could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

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

**Our businesses may be adversely affected by difficult economic conditions.**

Unfavorable changes in economic conditions, which are typically beyond our control, including without limitation, inflation, slowing growth, rising interest rates, recession, changes in the political climate, war (including, but not limited to, the conflict between Russia and Ukraine), supply chain or labor market disruptions, banking or financial market disruptions, or other adverse changes, could negatively affect our business and financial condition. Difficult economic conditions are frequently characterized by high unemployment levels and declining consumer and business spending. These poor economic conditions may negatively affect demand and pricing for our services and products. In the event of difficult economic conditions that include high unemployment levels, especially within the client segments we serve, clients may elect not to file tax returns or utilize lower cost preparation and filing alternatives.

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

**OPERATIONAL AND EXECUTION RISKS**

**Our failure to effectively address fraud by third parties using our offerings could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.**

Many industries have experienced an increased variety and amount of attempted fraudulent activities by third parties, and those fraudulent activities are becoming increasingly sophisticated. A number of companies, including some in the tax return preparation and financial services industries, have reported instances where criminals gained access to consumer information or user accounts maintained on their systems by using stolen identity information (e.g., email, username, password information, or credit history) obtained from third-party sources. We have experienced, and in the future may continue to experience, this form of unauthorized and illegal access to our systems, despite no breach in the security of our systems. Though we do not believe this fraud is uniquely targeted at our offerings, our failure to effectively address any such fraud may adversely impact our business and our consolidated financial position, results of operations, and cash flows.

In addition to losses directly from such fraud, which could occur in some cases, we may also suffer a loss of confidence by our clients or by governmental agencies in our ability to detect and mitigate fraudulent activity, and such governmental authorities may refuse to allow us to continue to offer such services or products. For example, a person with malicious intent may unlawfully take user account and password information from our clients to electronically file fraudulent federal and state tax returns, which could impede our clients' ability to file their tax returns and receive refunds (or other amounts due) and diminish consumers' perceptions of the security and reliability of our services and products, despite no breach in the security of our systems.

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

Furthermore, as fraudulent activity becomes more pervasive and sophisticated, we may implement fraud detection and prevention measures that could make it less convenient for legitimate clients to obtain and use our

services and products, which may adversely affect the demand for our services and products, our reputation, and our financial performance.

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

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

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

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

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

Tax laws and tax forms are subject to change each year, and the nature and timing of such changes are unpredictable. As a part of our business, we must incorporate any changes to tax laws and tax forms into our tax service and product offerings, including our online and mobile applications and desktop software. The unpredictable nature, timing and effective dates of changes to tax laws and tax forms can result in condensed development cycles for our tax service and product offerings because our clients expect high levels of accuracy and a timely launch of such offerings to prepare and file their taxes by the applicable tax filing deadlines and, in turn, receive any tax refund amounts on a timely basis. From time to time, we review and enhance our quality controls for preparing accurate tax returns, but there can be no assurance that we will be able to prevent all inaccuracies. Further, changes in governmental administrations or regulations could result in further and unanticipated changes in requirements or processes, which may require us to make corresponding changes to our client service systems and procedures. In addition, unanticipated changes in governmental processes, or newly implemented processes, for (1) accepting tax filings and related forms, including the ability of taxing authorities to accept electronic tax

return filings, or (2) distributing tax refunds or other amounts to clients may result in processing delays by us or applicable taxing authorities.

Certain of our financial products are dependent on the IRS following the client's directions to direct deposit the tax refund. If the IRS disregards this direction, and sends the tax refund via check, then it could result in a loss of tax preparation and financial product revenue, negative publicity, and client dissatisfaction. In addition, any delays in launching new financial service or product offerings, or technical or other issues associated with the launch, could cause a loss of clients or client dissatisfaction, especially if such issues occur during the tax season.

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

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

Historically, we have contracted, and in the future we will likely continue to contract, with a single vendor or a limited number of vendors to provide certain key services or products for our tax, financial, and other services and products. A few examples of this type of reliance are our relationships with Fidelity National Information Services, Inc. (FIS), Galileo Financial Technologies, LLC, or similar vendors, for data processing and card production services, Pathward, for the issuance of RTs, EAs RAs, Emerald Cards, and Spruce accounts, and Microsoft Corporation, for cloud computing services and artificial intelligence technology. In certain instances, we are vulnerable to vendor error, service inefficiencies, data breaches, service interruptions, or service delays, and such issues by our key vendors in providing services to or for us could result in material losses for us due to the nature of the services being provided or our contractual relationships with our vendors. If any material adverse event were to affect one of our key vendors or if we are no longer able to contract with our key vendors for any reason, we may be forced to find an alternative provider for these critical services. It may not be possible to find a replacement vendor on terms that are acceptable to us or at all.

Our sensitivity to any of these issues may be heightened (1) due to the seasonality of our business, (2) with respect to any vendor that we utilize for the provision of any product or service that has specialized expertise, (3) with respect to any vendor that is a sole or exclusive provider, or (4) with respect to any vendor whose indemnification obligations are limited or that does not have the financial capacity to satisfy its indemnification obligations. Some of our vendors are subject to the oversight of regulatory bodies and, as a result, our product or service offerings may be affected by the actions or decisions of such regulatory bodies. If our vendors are unable to meet our needs and we are not able to develop alternative sources for these services and products quickly and cost-effectively, or if a key vendor were to commit a major error or suffer a material adverse event, it could result in a material and adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

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

Our business is highly seasonal, with the substantial portion of our revenue earned from February through April in a typical year. The concentration of our revenue-generating activity during this relatively short period presents a number of challenges for us, including (1) cash and resource management during the remainder of our fiscal year, when we generally operate at a loss and incur fixed costs and costs of preparing for the upcoming tax season, (2) responding to changes in competitive conditions, including marketing, pricing, and new product offerings, which could affect our position during the tax season, (3) disruptions, delays, or extensions in a tax season, including those caused by pandemics, such as the COVID-19 outbreak, or severe weather, (4) client dissatisfaction issues or negative social media campaigns, which may not be timely discovered or satisfactorily addressed, and (5) ensuring optimal uninterrupted operations and service delivery during the tax season, which may be disrupted by natural or manmade disasters, extreme weather conditions, pandemics, or other catastrophic events. If we experience



significant business disruptions during the tax season or if we are unable to effectively address the challenges described above and related challenges associated with a seasonal business, we could experience a loss, disruption, or change in timing of business, which could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**We may be unable to attract and retain key personnel or fully control or accurately predict our labor costs.**

Our business depends on our ability to attract, develop, motivate, and retain key personnel in a timely manner, including members of our executive team and those in seasonal tax preparation positions (which may be required on short notice during any extended tax season or to serve extended filers) or with other required specialized expertise, such as technical positions (including with respect to cybersecurity, artificial intelligence, and machine learning). The market for such personnel is extremely competitive, and there can be no assurance that we will be successful in our efforts to attract and retain the required qualified personnel within necessary timeframes, or at expected cost levels. As the global labor market continues to evolve as a result of the COVID-19 pandemic and other changes, our current and prospective key personnel may seek new or different opportunities based on pay levels, benefits, or remote work flexibility that are different from what we offer, or may determine to leave the workforce, making it difficult to attract and retain them. If we are unable to attract, develop, motivate, and retain key personnel, our business, operations, and financial results could be negatively impacted. In addition, if our costs of labor or related costs increase, if new or revised labor laws, rules, or regulations are adopted or implemented that impact our seasonal workforce and increase our labor costs, or if our labor costs are unpredictable due to tax season fluctuations or otherwise, there could be a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

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

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

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

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

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

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

We have international operations, including tax preparation businesses in Canada and Australia, technology centers in India and Ireland, and Wave in Canada. We may consider expansion opportunities in additional countries in the future and there is uncertainty about our ability to generate revenues from new or emerging foreign operations or expand into other international markets. Additionally, there are risks inherent in doing business internationally, including: (1) changes in trade regulations; (2) difficulties in managing foreign operations as a result

of distance, language, and cultural differences; (3) profit repatriation restrictions, and fluctuations in foreign currency exchange rates; (4) geopolitical events, including acts of war and terrorism, and economic and political instability; (5) compliance with anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and other applicable foreign anti-corruption laws; (6) compliance with U.S. and international laws and regulations, including those concerning privacy and data protection and retention; and (7) risks related to other government regulation or required compliance with local laws. These risks inherent in international operations and expansion could prevent us from expanding into other international markets or increase our costs of doing business internationally and could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

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

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

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

During March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic, and the impacts of the pandemic have been felt since that time. Since the beginning of the pandemic, jurisdictions in which we operate have from time-to-time imposed various restrictions on our business. Notwithstanding our efforts to address the impacts of the COVID-19 pandemic, or a variant thereof, on our business, there is no certainty that the measures we implemented, or may implement in the future, are or will be sufficient to mitigate the risks posed by COVID-19, a variant thereof, or another infectious disease. Alleged failures in this regard could result in negative impacts, including regulatory investigations, claims, legal actions, harm to our reputation and brands, fines, penalties, and other damages.

As a result of the COVID-19 pandemic, the IRS and substantially all U.S. states extended the filing deadline in consecutive tax seasons for 2019 and 2020 individual income tax returns. These extensions impacted the typical seasonality of our business and the comparability of our financial results. In the event of a resurgence of COVID-19 or the outbreak of another infectious disease, Treasury, the IRS, and state or foreign officials may determine to extend future tax deadlines or take other actions, which could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows in future years.

The extent to which the COVID-19 pandemic or another outbreak impacts our business, operations, and financial results going forward will depend on numerous evolving factors that we may not be able to accurately predict. The resurgence of COVID-19 or a variant thereof or a new global or national outbreak of another highly infectious or contagious disease, the requirements to take action to help limit the spread of illness, and the other risks described above may further impact our ability to carry out our business and may materially adversely impact global economic conditions, our business, results of operations, cash flows, and financial condition.

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

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

Due to the nature of our business, we collect, use, and retain large amounts of personal information and data pertaining to clients, including tax return information, financial product and service information, and social security

numbers. In addition, we collect, use, and retain personal information and data of our employees in the ordinary course of our business.

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

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

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

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

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

machine learning, and (8) the usage of remote working arrangements by our associates, franchisees, and third-party vendors, which significantly expanded due to the COVID-19 pandemic.

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

Although we use security and business controls to limit access to and use of personal information and expend significant resources to maintain multiple levels of protection to address or otherwise mitigate the risk of a security breach, such measures cannot provide absolute security. We regularly test our systems to discover and address potential vulnerabilities, and we rely on training and testing of our employees regarding heightened phishing and social engineering threats. We also conduct certain background checks on our employees, as allowed by law. Due to the structure of our business model, we also rely on our franchisees, vendors, and other private and governmental third parties to maintain secure systems and respond to cybersecurity risks. Where appropriate, we impose certain requirements and controls on these third parties, but it is possible that they may not appropriately employ these controls or that such controls (or their own separate requirements and controls) may be insufficient to protect personal information.

Cybersecurity and the continued development and enhancement of our controls, processes, and practices designed to protect our systems, computers, software, data, and networks from attack, damage, or unauthorized access remain a top priority for us. As risks and regulations continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities. Notwithstanding these efforts, there can be no assurance that a security breach, intrusion, or loss or theft of personal information will not occur. In addition, the techniques used to obtain unauthorized access change frequently, become more sophisticated, and are often difficult to detect until after a successful attack, causing us to be unable to anticipate these techniques or implement adequate preventive measures in all cases.

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

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

## **LEGAL AND REGULATORY RISKS**

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

The CFPB has broad powers to administer, investigate compliance with, and, in some cases, enforce U.S. federal financial consumer protection laws. The CFPB has broad rule-making authority for a wide range of financial consumer protection laws that apply to certain of the financial products we offer, including the authority to

prohibit or allege "unfair, deceptive, or abusive" acts and practices. It is difficult to predict how currently proposed or new regulations may impact the financial products we offer.

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

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

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

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

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

Additionally, our offering of consumer financial products and services are subject to various rules and regulations, including potential limitations or restrictions on the amount of interchange fees. There can be no assurance that future regulation or changes by the payment networks will not impact interchange revenues substantially. If interchange rates decline, whether due to actions by the payment networks or future regulation, it could impact the profitability of our consumer financial products and services or our ability to offer such products or services.

Given the nature of our businesses, we are subject to various additional federal, state, local, and foreign laws and regulations, including, without limitation, in the areas of labor, immigration, marketing and advertising, consumer protection, financial services and products, payment processing, privacy and data security, anti-competition, environmental, health and safety, insurance, and healthcare. There have been significant new or proposed regulations and/or heightened focus by the government and others in some of these areas, including, for example, privacy and data security, climate change, interchange fees, consumer financial services and products, endorsements and testimonials, telemarketing, web and wireless marketing technologies, restrictive covenants, and labor, including overtime and exemption regulations, state and local laws on minimum wage, worker classification, and other labor-related issues. In addition, as we continue to incorporate additional or emerging technologies into our business, such as in the areas of artificial intelligence and machine learning, we may become subject to increased government regulation or regulatory scrutiny.

The above requirements and business implications are subject to change and evolving application, including by means of new legislation, legislative changes, and/or executive orders, and there may be additional regulatory actions or enforcement priorities, or new interpretations of existing requirements that differ from ours. These developments could impose unanticipated limitations or require changes to our business, which may make elements of our business more expensive, less efficient, or impossible to conduct, and may require us to modify our current or future services or products, which effects may be heightened given the nature, broad geographic scope, and seasonality of our business.

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

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

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

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

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

## **FINANCIAL RISKS**

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

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

arrangements, as well as future financing arrangements, could increase and our capital market access could decrease or become unavailable.

Our unsecured committed line of credit (CLOC) is subject to various covenants, and a violation of a covenant could impair our access to liquidity currently available through the CLOC. In addition, if we violate a covenant in the CLOC and are unable to obtain a waiver from our lenders, our debt under the CLOC would be in default and could be accelerated by our lenders. An acceleration of the indebtedness under the CLOC would cause a cross default under the indenture governing our Senior Notes. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

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

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

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

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

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

As a profitable multinational corporation, we are subject to a material amount of taxes in the U.S. and numerous foreign jurisdictions where our subsidiaries are organized and conduct their operations. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. The amount of tax due in various jurisdictions may change significantly as a result of political or economic factors beyond our control, including changes to tax laws or new interpretations of existing laws that are inconsistent with previous interpretations or positions taken by taxing authorities on which we have relied. New regulatory guidance, or regulatory interpretations that differ from our existing interpretations, could materially affect our effective tax rates or value of deferred tax assets and liabilities.

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

In addition, projects undertaken by international organizations may change international tax norms relating to each country's jurisdiction to tax cross-border international trade. Given the unpredictability of these and other possible changes to tax laws and related regulations, it is difficult to assess the overall effect of such potential changes, but any such changes could, if adopted and applicable to us, adversely impact our effective tax rates and other tax liabilities.

Our tax returns and other tax matters are periodically examined by tax authorities and governmental bodies, including the IRS, which may disagree with positions taken by us in determining our tax liability. There can be no

assurance as to the outcome of these examinations. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for income taxes.

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

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

**Sand Canyon Corporation, previously known as Option One Mortgage Corporation (including its subsidiaries, collectively, SCC), is subject to loss contingencies, including indemnification and contribution claims, which may result in significant financial losses. Additionally, we could be subject to claims by the creditors of SCC.**

Although SCC ceased its mortgage loan origination activities in December 2007 and sold its loan servicing business in April 2008, SCC has been and may in the future be, subject to loss contingencies, including indemnification and contribution claims, pertaining to SCC's mortgage business activities that occurred prior to such termination and sale. If the amount that SCC is ultimately required to pay with respect to these claims, together with related administration and legal expense, exceeds its 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 have also attempted, and may in the future 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 June 30, 2023, total approximately \$262 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.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

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

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

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

#### **ITEM 3. LEGAL PROCEEDINGS**

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

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **PART II**

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

**MARKET INFORMATION AND HOLDERS** – H&R Block's common stock is traded on the New York Stock Exchange (NYSE) under the symbol HRB. On July 31, 2023, there were 12,788 shareholders of record and the closing stock price on the NYSE was \$33.61 per share.



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

**PURCHASES OF EQUITY SECURITIES BY THE ISSUER** – A summary of our purchases of H&R Block common stock during the fourth quarter of fiscal year 2023 is as follows:

(in 000s, except per share amounts)

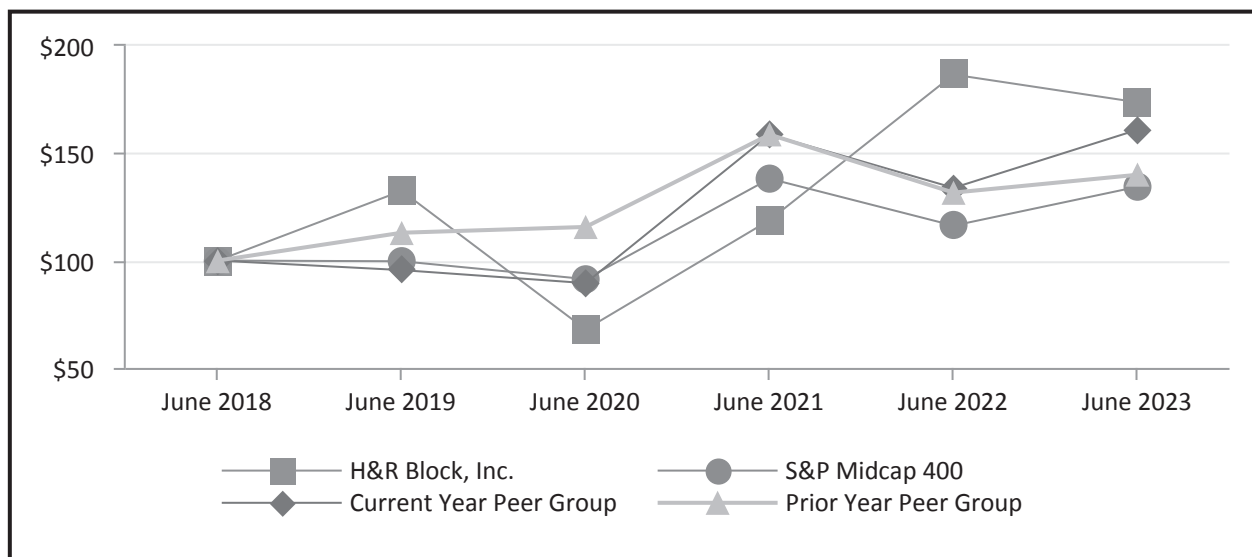
	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Dollar Value of Shares that May be Purchased Under the Plans or Programs <sup>(2)</sup>
April 1 – April 30	1	\$ 35.24	–	\$ 900,000
May 1 - May 31	3,024	\$ 30.09	3,015	\$ 809,310
June 1 - June 30	3,536	\$ 31.66	3,452	\$ 700,000
	<u>6,561</u>	<u>\$ 30.94</u>	<u>6,467</u>	

<sup>(1)</sup> We purchased approximately 94 thousand shares in connection with funding employee income tax withholding obligations arising upon the lapse of restrictions on restricted share units.

<sup>(2)</sup> In August 2022, we announced that our Board of Directors approved a \$1.25 billion share repurchase program, effective through June 2025.

**PERFORMANCE GRAPH** – The following graph compares the cumulative five-year total return provided to shareholders of H&R Block, Inc.'s common stock relative to the cumulative total returns of the S&P Midcap 400 index and a selected peer group. We previously used a self-selected peer group that consisted of the compensation peer group disclosed in our proxy statement. Beginning in fiscal year 2023, we are using the S&P 400 Consumer Services Industry index as the included industry or line-of-business index. We believe using an index will provide more consistency than the compensation peer group disclosed in our proxy statement that is selected on an annual basis.

An investment of \$100, with reinvestment of all dividends, is assumed to have been made in our common stock and in each of the indexes on June 30, 2018, and its relative performance is tracked through June 30, 2023.



Note: The Current Year Peer Group is the S&P 400 Consumer Services Industry Index. The Prior Year Peer Group includes the following companies: ACI Worldwide Inc., Equifax Inc., Euronet Worldwide, Inc., Gartner, Inc., Genpact Limited, Global Payments Inc., Insperty, Inc., Intuit Inc., Jack Henry & Associates, Inc., Paychex, Inc., TransUnion, TriNet Group, Inc., Unisys Corporation, The Western Union Company, WEX Inc, and Workday, Inc.

## ITEM 6. SELECTED FINANCIAL DATA

Not applicable.






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

### RESULTS OF OPERATIONS

Our subsidiaries provide assisted and DIY tax preparation solutions through multiple channels (including in-person, online and mobile applications, virtual, and desktop software) and distribute H&R Block-branded products and services, including those of our bank partners, to the general public primarily in the U.S., Canada and Australia. Tax returns are either prepared by H&R Block tax professionals (in company-owned or franchise offices, virtually or via an internet review) or prepared and filed by our clients through our DIY tax solutions. We also offer small business solutions through our company-owned and franchise offices and online through Wave. We report a single segment that includes all of our continuing operations.

This year's tax filing season was expected to return to normal with the pandemic largely behind us, no new federal programs, a large number of stimulus filers having left the industry in the prior year, and strong employment. Generally, tax return volume was expected to increase compared to the prior year, however, the industry volume declined year over year due to more stimulus filers not returning and the tax deadline being extended in certain states due to natural disasters.

In fiscal year 2023, revenue increased \$8.9 million over the prior year, despite the decline in industry volume. U.S. assisted tax preparation revenues were higher \$72.5 million primarily due to an increase in net average charge. Lower Emerald Card® revenues, which is the result of the discontinuance of prior year federal programs, and lower Refund Transfer volume partially offset this increase. Operating expenses increased \$5.1 million primarily due to higher labor costs, which was partially offset by lower consulting and outsourced services expenses. Higher interest income and lower interest expense on borrowings resulted in an increase in income from continuing operations before income taxes of \$52.1 million, or 7.9%. Income tax expense increased \$51.0 million, or 51.8%, due to a higher effective tax rate in the current year. Net income from continuing operations of \$561.8 million increased \$1.2 million from the prior year.

Fiscal Year 2023 Compared to Fiscal Year 2022					
<b>Revenues</b>		<b>Operating Expenses</b>		<b>Net Income from Continuing Operations</b>	
\$3.47B		0.3%	\$2.72B		0.2%
<b>Diluted EPS from Continuing Operations</b>			<b>EBITDA<sup>(1)</sup> from Continuing Operations</b>		
	Reported:				
\$3.56		9.2%			
	Adjusted <sup>(1)</sup> :		\$914.7M		2.8%
\$3.82		8.8%			

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

### Fiscal Year End

On June 9, 2021, the Board of Directors approved a change in the Company's fiscal year end from April 30 to June 30. The Company's transition period was from May 1, 2021 to June 30, 2021 (Transition Period).

<b>Consolidated – Financial Results</b>		(in 000s, except per share amounts)		
Year ended June 30,	<b>2023</b>	2022	\$ Change	% Change
<b>Revenues:</b>				
U.S. tax preparation and related services:				
Assisted tax preparation	\$ 2,167,138	\$ 2,094,612	\$ 72,526	3.5 %
Royalties	210,631	225,242	(14,611)	(6.5)%
DIY tax preparation	314,758	319,086	(4,328)	(1.4)%
Refund Transfers	143,310	162,893	(19,583)	(12.0)%
Peace of Mind® Extended Service Plan	95,181	94,637	544	0.6 %
Tax Identity Shield®	38,265	39,114	(849)	(2.2)%
Other	45,252	45,961	(709)	(1.5)%
Total U.S. tax preparation and related services	<b>3,014,535</b>	2,981,545	32,990	1.1 %
Financial services:				
Emerald Card® and Spruce <sup>SM</sup>	84,651	125,444	(40,793)	(32.5)%
Interest and fee income on Emerald Advance <sup>SM</sup>	47,554	43,981	3,573	8.1 %
Total financial services	<b>132,205</b>	169,425	(37,220)	(22.0)%
International	235,131	231,335	3,796	1.6 %
Wave	90,314	80,965	9,349	11.5 %
Total revenues	<b>\$ 3,472,185</b>	\$ 3,463,270	\$ 8,915	0.3 %
<b>Compensation and benefits:</b>				
Field wages	841,742	808,903	(32,839)	(4.1)%
Other wages	273,850	284,689	10,839	3.8 %
Benefits and other compensation	220,530	206,902	(13,628)	(6.6)%
	<b>1,336,122</b>	1,300,494	(35,628)	(2.7)%
Occupancy	428,167	413,162	(15,005)	(3.6)%
Marketing and advertising	286,255	284,244	(2,011)	(0.7)%
Depreciation and amortization	130,501	142,178	11,677	8.2 %
Bad debt	60,401	71,778	11,377	15.9 %
Other	482,041	506,517	24,476	4.8 %
Total operating expenses	<b>2,723,487</b>	2,718,373	(5,114)	(0.2)%
Other income (expense), net	35,492	2,454	33,038	1,346.3 %
Interest expense on borrowings	(72,978)	(88,282)	15,304	17.3 %
Income from continuing operations before income taxes	<b>711,212</b>	659,069	52,143	7.9 %
Income taxes	149,412	98,423	(50,989)	(51.8)%
Net income from continuing operations	<b>561,800</b>	560,646	1,154	0.2 %
Net loss from discontinued operations	(8,100)	(6,972)	(1,128)	(16.2)%
Net income	<b>\$ 553,700</b>	\$ 553,674	\$ 26	— %
<b>DILUTED EARNINGS PER SHARE:</b>				
Continuing operations	\$ 3.56	\$ 3.26	\$ 0.30	9.2 %
Discontinued operations	(0.05)	(0.04)	(0.01)	(25.0)%
Consolidated	<b>\$ 3.51</b>	\$ 3.22	\$ 0.29	9.0 %
Adjusted diluted EPS <sup>(1)</sup>	<b>\$ 3.82</b>	\$ 3.51	\$ 0.31	8.8 %
EBITDA <sup>(1)</sup>	<b>\$ 914,691</b>	\$ 889,529	\$ 25,162	2.8 %

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

## FISCAL YEAR 2023 COMPARED TO FISCAL YEAR 2022

Revenues increased \$8.9 million, or 0.3%, from the prior year. U.S. assisted tax preparation revenues increased \$72.5 million, or 3.5%, due to a 4.0% increase in net average charge, partially offset by lower tax return volumes in the current year. U.S. royalties revenue decreased \$14.6 million, or 6.5%, due to lower volumes, partially offset by a higher net average charge in the current year. During the year we purchased franchise offices which results in increasing tax preparation revenues and decreasing royalties as the revenues and returns become company-owned after the acquisition. Through the year ended June 30, 2023, our total assisted tax return volume, which includes both company-owned and franchise offices, decreased 3.2% from the prior year.

U.S. DIY tax preparation revenues decreased \$4.3 million, or 1.4%, due to a decline in online paid returns and lower software sales in the current year. Refund Transfer revenues decreased \$19.6 million, or 12.0%, due to fewer Refund Transfers in the current year.

Emerald Card<sup>®</sup> and Spruce<sup>SM</sup> revenues decreased \$40.8 million, or 32.5%, primarily due to higher Emerald Card<sup>®</sup> activity in the prior year, which was the result of the IRS loading Child Tax Credits monthly to Emerald Cards<sup>®</sup> and lower Refund Transfer volume in the current year. Wave revenues increased \$9.3 million, or 11.5%, due to higher small business payments processing volumes.

Total operating expenses increased \$5.1 million, or 0.2%, from the prior year. Field wages increased \$32.8 million, or 4.1%, primarily due to higher wages in the current year. Other wages decreased \$10.8 million, or 3.8%, due to lower corporate bonuses in the current year. Benefits and other compensation increased \$13.6 million, or 6.6%, due to higher payroll taxes and employee insurance.

Occupancy expense increased \$15.0 million or 3.6%, primarily due to higher rent and office repairs. Depreciation and amortization expense decreased \$11.7 million, or 8.2%, due primarily to lower amortization of acquired intangibles. Bad debt expense decreased \$11.4 million, or 15.9%, primarily due to fewer Refund Transfers and lower bad debt rates compared to the prior year.

Other operating expenses decreased \$24.5 million, or 4.8%. The components of other expenses are as follows:

					(in 000s)
Year ended June 30,	2023	2022	\$ Change	% Change	
Consulting and outsourced services	\$ 109,120	\$ 136,397	\$ 27,277	20.0 %	
Bank partner fees	24,108	26,648	2,540	9.5 %	
Client claims and refunds	29,484	31,814	2,330	7.3 %	
Employee and travel expenses	39,262	31,714	(7,548)	(23.8)%	
Technology-related expenses	102,753	97,934	(4,819)	(4.9)%	
Credit card/bank charges	96,074	90,209	(5,865)	(6.5)%	
Insurance	8,806	15,224	6,418	42.2 %	
Legal fees and settlements	12,058	19,625	7,567	38.6 %	
Supplies	29,278	28,846	(432)	(1.5)%	
Other	31,098	28,106	(2,992)	(10.6)%	
	<u>\$ 482,041</u>	<u>\$ 506,517</u>	<u>\$ 24,476</u>	4.8 %	

Consulting and outsourced services expense decreased \$27.3 million, or 20.0%, due to higher spend in the prior year related to our strategic imperatives, and lower call center volumes and Emerald Card<sup>®</sup> data processing in the current year. Employee and travel expenses increased \$7.5 million, or 23.8%, due to more travel in the current year. Insurance expense decreased \$6.4 million, or 42.2%, due to due to favorable developments in insurance loss reserves. Legal fees and settlements expense decreased \$7.6 million, or 38.6%, due to lower fees in the current year.

Other income (expense), net increased \$33.0 million primarily due to higher interest income and income from a legal settlement in the current year. Interest expense on borrowings decreased \$15.3 million, or 17.3%, due to the repayment of our \$500 million 5.500% Senior Notes in May 2022, partially offset by higher interest expense on our CLOC borrowings in the current year.

We recorded income tax expense of \$149.4 million in the current year compared to \$98.4 million in the prior year. The increase is due to higher pretax income and effective tax rate in the current year. The effective tax rate for the year ended June 30, 2023, and 2022 was 21.0% and 14.9%, respectively. See [Item 8, note 9](#) to the consolidated financial statements for additional discussion.

See the discussion of loss contingencies related to our discontinued operations in [Item 1A, Risk Factors](#) and in [Item 8, note 12](#) to the consolidated financial statements.

#### YEAR ENDED APRIL 30, 2021 COMPARED TO YEAR ENDED APRIL 30, 2020

The comparison of the year ended April 30, 2021 to April 30, 2020 has been omitted from this Form 10-K, but can be found in our Form 10-K for the fiscal year ended June 30, 2022, filed on August 16, 2022.

#### TWO MONTHS ENDED JUNE 30, 2021 COMPARED TO TWO MONTHS ENDED JUNE 30, 2020

The comparison of the two months ended June 30, 2021 to the two months ended June 30, 2020 has been omitted from this Form 10-K, but can be found in our Form 10-K for the fiscal year ended June 30, 2022, filed on August 16, 2022.

#### FINANCIAL CONDITION

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

#### CAPITAL RESOURCES AND LIQUIDITY –

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

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

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 June 30, 2023 are sufficient to meet our future operating and financing needs.

**DISCUSSION OF CONSOLIDATED STATEMENTS OF CASH FLOWS** – The following table summarizes our statements of cash flows for fiscal year 2023 and 2022. See [Item 8](#) for the complete consolidated statements of cash flows for these periods.

	(in 000s)	
Year ended June 30,	2023	2022
Net cash provided by (used in):		
Operating activities	\$ 821,841	\$ 808,537
Investing activities	(101,389)	(76,541)
Financing activities	(750,992)	(1,257,346)
Effects of exchange rates on cash	(4,857)	(8,101)
Net decrease in cash and cash equivalents, including restricted balances	\$ (35,397)	\$ (533,451)

**Operating Activities.** Cash provided by operating activities totaled \$821.8 million for the year ended June 30, 2023 compared to \$808.5 million in the prior year period. The change is primarily due to the receipt of income tax receivables in the current year, partially offset by lower bonus accruals in the current year.

**Investing Activities.** Cash used in investing activities totaled \$101.4 million for the year ended June 30, 2023 compared to \$76.5 million for the prior year period. The increase is primarily due to higher payments to acquire businesses and capital expenditures in the current year.

**Financing Activities.** Cash used in financing activities totaled \$751.0 million for the year ended June 30, 2023 compared to \$1.3 billion for the prior year period. The change is primarily due to repayment of our \$500 million 5.500% Senior Notes in the prior year.

**CASH REQUIREMENTS –**

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

We have consistently paid quarterly dividends. Dividends paid totaled \$177.9 million and \$186.5 million in the years ended June 30, 2023 and 2022, 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.

In August 2022, the Board of Directors approved a \$1.25 billion share repurchase program, effective through fiscal year 2025. During the year ended June 30, 2023, we repurchased \$550.2 million of our common stock at an average price of \$37.59 per share. In the prior year, we repurchased \$550.3 million of our common stock at an average price of \$23.84 per share. Our share repurchase program has remaining authorization of \$700.0 million which is effective through fiscal year 2025.

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

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

(in 000s, except per share amounts)

	Year ended June 30, 2023	Year ended June 30, 2022	Two months ended June 30, 2021 (Transition Period)	Year ended April 30, 2021	Year ended April 30, 2020
Shares outstanding	146,150	159,930	181,813	181,466	192,475
Shares repurchased	14,635	23,085	—	11,551	10,130
Dividends declared per share	\$ 1.16	\$ 1.08	\$ 0.27	\$ 1.04	\$ 1.04

**Capital Investment.** Capital expenditures totaled \$69.7 million and \$62.0 million for the years ended June 30, 2023 and 2022, respectively. Our capital expenditures relate primarily to recurring improvements to retail offices, as well as investments in computers, software and related assets. In addition to our capital expenditures, we also made payments to acquire businesses. We acquired franchise and competitor businesses totaling \$48.2 million and \$35.9 million during the years ended June 30, 2023 and 2022, respectively. See [Item 8, note 6](#) for additional information on our acquisitions.

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

**FINANCING RESOURCES –** Our CLOC has capacity up to \$1.5 billion and is scheduled to expire in June 2026. Proceeds under the CLOC may be used for working capital needs or for other general corporate purposes. We were in compliance with our CLOC covenants as of June 30, 2023. As of June 30, 2023, amounts available to borrow under the CLOC were not limited by the debt-to-EBITDA covenant. We had no balance outstanding under our CLOC as of June 30, 2023.

See [Item 8, note 7](#) to the consolidated financial statements for discussion of our CLOC and Senior Notes.

The following table provides ratings for debt issued by Block Financial LLC (Block Financial) as of June 30, 2023 and 2022:

As of	June 30, 2023			June 30, 2022		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Moody's	P-3	Baa3	Positive	P-3	Baa3	Stable
S&P	A-2	BBB	Stable	A-2	BBB	Stable

**CASH AND OTHER ASSETS** – As of June 30, 2023, we held cash and cash equivalents, excluding restricted amounts, of \$987.0 million, including \$293.4 million held by our foreign subsidiaries.

**Foreign Operations.** Seasonal borrowing needs of our Canadian operations are typically funded by our U.S. operations. To mitigate foreign currency risk, we sometimes enter into foreign exchange forward contracts. There were no forward contracts outstanding as of June 30, 2023.

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

The impact of changes in foreign exchange rates during the period on our international cash balances resulted in a decrease of \$4.9 million and \$8.1 million during the years ended June 30, 2023 and 2022, respectively.

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

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

<b>SUMMARIZED BALANCE SHEET</b>		(in 000s)
As of June 30, 2023	<b>GUARANTOR AND ISSUER</b>	
Current assets	\$	<b>37,407</b>
Noncurrent assets		<b>1,725,234</b>
Current liabilities		<b>78,259</b>
Noncurrent liabilities		<b>1,494,010</b>

<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>		(in 000s)
Year ended June 30, 2023	<b>GUARANTOR AND ISSUER</b>	
Total revenues	\$	<b>160,236</b>
Income from continuing operations before income taxes		<b>40,285</b>
Net income from continuing operations		<b>31,713</b>
Net income		<b>23,613</b>

The table above reflects \$1.7 billion of non-current intercompany receivables due to the Issuer from non-guarantor subsidiaries.

## CRITICAL ACCOUNTING ESTIMATES

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

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

## LITIGATION AND OTHER RELATED CONTINGENCIES –

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

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

**Sensitivity of Estimate to Change.** It is reasonably possible that pending or future litigation and other related loss contingencies may vary from the amounts accrued. Our estimate of the aggregate range of reasonably possible losses includes (1) matters where a liability has been accrued and there is a reasonably possible loss in excess of the amount accrued for that liability, and (2) matters where a liability has not been accrued but we believe a loss is reasonably possible. This aggregate range represents only those losses as to which we are currently able to estimate a reasonably possible loss or range of loss. It does not represent our maximum loss exposure. As of June 30, 2023, we believe the estimate of the aggregate range of reasonably possible losses in excess of amounts accrued, where the range of loss can be estimated, was not material.

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

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

## INCOME TAXES – UNCERTAIN TAX POSITIONS –

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

**Assumptions and Approach Used.** Differences between a tax position taken or expected to be taken in our tax returns and the amount of benefit recorded in our financial statements result in unrecognized tax benefits. Unrecognized tax benefits are recorded in the balance sheet as either a liability or reductions to recorded tax assets as applicable. Our uncertain tax positions arise from items such as apportionment of income for state purposes, transfer pricing, and the deductibility of intercompany transactions. We evaluate each uncertain tax



position based on its technical merits. For each position, we consider all applicable information including relevant tax laws, the taxing authorities' potential position, our tax return position, and the possible settlement outcomes to determine the amount of liability to record. In making this determination, we assume the tax authority has all relevant information at its disposal.

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

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

## GOODWILL –

**Nature of Estimates Required.** We test goodwill for impairment annually in the third 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. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on a review of qualitative factors, it is more likely than not that the fair value of a reporting unit is less than its carrying value, we perform a quantitative analysis. Our goodwill impairment analysis utilizes both income and market approaches, which includes revenue and expense forecasts, changes in working capital and selection of a discount rate, all of which are highly subjective.

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

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

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

## NEW ACCOUNTING PRONOUNCEMENTS

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

## REGULATORY ENVIRONMENT

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

As previously disclosed, in 2017 the Consumer Financial Protection Bureau (CFPB) published its final rule regulating certain consumer credit products (Payday Rule), which the CFPB later limited by removing the mandatory underwriting provisions. Certain limited provisions of the Payday Rule became effective in 2018, but most provisions were scheduled to go into effect in 2019. Litigation in a federal district court in Texas had stayed that effective date, but on August 31, 2021 the judge in that litigation ruled in favor of the CFPB. The plaintiffs appealed, and, on October 14, 2021, the United States Court of Appeals for the Fifth Circuit extended the compliance deadline until after the appeal is resolved. On October 19, 2022, the appellate court found that the funding mechanism for the CFPB was unconstitutional and vacated the Payday Rule. On November 14, 2022, the CFPB filed a petition for review with the United States Supreme Court, which the Supreme Court granted on February 27, 2023.

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

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

#### **NON-GAAP FINANCIAL INFORMATION**

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

We consider our non-GAAP financial measures to be performance measures and a useful metric for management and investors to evaluate and compare the ongoing operating performance of our business. We make adjustments for certain non-GAAP financial measures related to amortization of intangibles from acquisitions and goodwill impairments. We may consider whether other significant items that arise in the future should be excluded from our non-GAAP financial measures.

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

The following is a reconciliation of net income to EBITDA from continuing operations, which is a non-GAAP financial measure:

(in 000s)		
Year ended	June 30, 2023	June 30, 2022
Net income - as reported	\$ 553,700	\$ 553,674
Discontinued operations, net	8,100	6,972
Net income from continuing operations - as reported	561,800	560,646
Add back:		
Income taxes	149,412	98,423
Interest expense	72,978	88,282
Depreciation and amortization	130,501	142,178
	352,891	328,883
EBITDA from continuing operations	\$ 914,691	\$ 889,529

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)		
Year ended	June 30, 2023	June 30, 2022
Net income from continuing operations - as reported	\$ 561,800	\$ 560,646
Adjustments:		
Amortization of intangibles related to acquisitions (pretax)	51,411	56,292
Tax effect of adjustments <sup>(1)</sup>	(10,797)	(13,358)
Adjusted net income from continuing operations	\$ 602,414	\$ 603,580
Diluted earnings per share from continuing operations - as reported	\$ 3.56	\$ 3.26
Adjustments, net of tax	0.26	0.25
Adjusted diluted earnings per share from continuing operations	\$ 3.82	\$ 3.51

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

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

### INTEREST RATE RISK

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

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

Interest expense on our CLOC borrowings is determined based on short-term interest rates. As our CLOC borrowings are generally seasonal, interest rate risk typically increases during the months of November through March. We had no outstanding balance on our CLOC as of June 30, 2023.

Our long-term debt as of June 30, 2023, consists primarily of fixed-rate Senior Notes; therefore, a change in interest rates would have no impact on consolidated pretax earnings until these notes mature or are refinanced. The interest we pay on our Senior Notes is fixed and is subject to adjustment based upon our credit ratings. See [Item 8, note 7](#) to the consolidated financial statements.

### FOREIGN EXCHANGE RATE RISK

Our operations in international markets are exposed to movements in currency exchange rates. The currencies primarily involved are the Canadian dollar and the Australian dollar. We translate revenues and expenses related to these operations at the average of exchange rates in effect during the period. Assets and liabilities of foreign

subsidiaries are translated into U.S. dollars at exchange rates at the end of the year. Translation adjustments are recorded as a separate component of other comprehensive income in stockholders' equity. Translation of financial results into U.S. dollars does not presently materially affect, and has not historically materially affected, our consolidated financial results, although such changes do affect the year-to-year comparability of the operating results in U.S. dollars of our international businesses. The impact of changes in foreign exchange rates during the period on our international cash balances resulted in a decrease of \$4.9 million and \$8.1 million during the years ended June 30, 2023 and 2022, respectively. We estimate a 10% change in foreign exchange rates by itself would impact consolidated pretax income for the years ended June 30, 2023 and 2022 by \$3.8 million and \$2.8 million, respectively, and cash balances, excluding restricted balances, as of June 30, 2023 and 2022 by \$13.0 million and \$18.5 million, respectively.

We generally use foreign exchange forward contracts to mitigate foreign currency exchange rate risk for loans we advance to our Canadian operations. We had no forward contracts outstanding at June 30, 2023 or 2022.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### DISCUSSION OF FINANCIAL RESPONSIBILITY

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

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

Deloitte & Touche LLP audited our consolidated financial statements for the fiscal years ended June 30, 2023 and 2022, the two months ended June 30, 2021 (Transition Period), and for the fiscal year ended April 30, 2021. The audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 12a-15(f). Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), using the 2013 framework, as of June 30, 2023.

Based on our assessment, our Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2023, the Company's internal control over financial reporting was effective based on the criteria set forth by COSO, using the 2013 framework. The Company's external auditor, Deloitte & Touche LLP, an independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting.

/s/ Jeffrey J. Jones II

Jeffrey J. Jones II

President and Chief Executive Officer

/s/ Tony G. Bowen

Tony G. Bowen

Chief Financial Officer

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of H&R Block, Inc. and subsidiaries (the "Company") as of June 30, 2023, and June 30, 2022, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows, for the years ended June 30, 2023, and June 30, 2022, the two months ended June 30, 2021 (Transition Period) and the year ended April 30, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023, and June 30, 2022, and the results of its operations and its cash flows for the years ended June 30, 2023 and June 30, 2022, the two months ended June 30, 2021 (Transition Period) and the year ended April 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 17, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

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

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

#### *Critical Audit Matter Description*

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

possible settlement outcomes to determine the amount of liability to record. The Company's unrecognized tax benefits as of June 30, 2023, were \$240 million.

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

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

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

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

/s/ Deloitte & Touche LLP

Kansas City, Missouri

August 17, 2023

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

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

### **Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of H&R Block, Inc. and subsidiaries (the “Company”) as of June 30, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2023, of the Company and our report dated August 17, 2023, expressed an unqualified opinion on those financial statements.

### **Basis for Opinion**

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

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

### **Definition and Limitations of Internal Control over Financial Reporting**

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

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

/s/ Deloitte & Touche LLP

Kansas City, Missouri

August 17, 2023



## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in 000s, except per share amounts)

	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
<b>REVENUES:</b>				
Service revenues	\$ 3,156,921	\$ 3,134,686	\$ 427,575	\$ 3,067,223
Royalty, product and other revenues	315,264	328,584	38,531	346,764
	<b>3,472,185</b>	<b>3,463,270</b>	<b>466,106</b>	<b>3,413,987</b>
<b>OPERATING EXPENSES:</b>				
Costs of revenues	1,923,452	1,881,262	232,763	1,842,092
Selling, general and administrative	800,035	837,111	98,988	802,268
Total operating expenses	<b>2,723,487</b>	<b>2,718,373</b>	<b>331,751</b>	<b>2,644,360</b>
Other income (expense), net	35,492	2,454	672	5,979
Interest expense on borrowings	(72,978)	(88,282)	(14,032)	(106,870)
Income from continuing operations before income taxes	711,212	659,069	120,995	668,736
Income taxes	149,412	98,423	29,876	78,524
Net income from continuing operations	561,800	560,646	91,119	590,212
Net loss from discontinued operations, net of tax benefits of \$2,423, \$2,093, \$451 and \$3,883	(8,100)	(6,972)	(1,509)	(6,421)
<b>NET INCOME</b>	<b>\$ 553,700</b>	<b>\$ 553,674</b>	<b>\$ 89,610</b>	<b>\$ 583,791</b>
<b>BASIC EARNINGS PER SHARE:</b>				
Continuing operations	\$ 3.63	\$ 3.31	\$ 0.50	\$ 3.15
Discontinued operations	(0.05)	(0.04)	(0.01)	(0.04)
Consolidated	<b>\$ 3.58</b>	<b>\$ 3.27</b>	<b>\$ 0.49</b>	<b>\$ 3.11</b>
<b>DILUTED EARNINGS PER SHARE:</b>				
Continuing operations	\$ 3.56	\$ 3.26	\$ 0.49	\$ 3.11
Discontinued operations	(0.05)	(0.04)	(0.01)	(0.03)
Consolidated	<b>\$ 3.51</b>	<b>\$ 3.22</b>	<b>\$ 0.48</b>	<b>\$ 3.08</b>
<b>COMPREHENSIVE INCOME:</b>				
Net income	\$ 553,700	\$ 553,674	\$ 89,610	\$ 583,791
Change in foreign currency translation adjustments	(15,454)	(21,733)	(4,698)	56,362
Other comprehensive income (loss)	(15,454)	(21,733)	(4,698)	56,362
Comprehensive income	<b>\$ 538,246</b>	<b>\$ 531,941</b>	<b>\$ 84,912</b>	<b>\$ 640,153</b>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED BALANCE SHEETS**

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

As of	June 30, 2023	June 30, 2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 986,975	\$ 885,015
Cash and cash equivalents - restricted	28,341	165,698
Receivables, less allowance for credit losses of \$55,502 and \$65,351	59,987	58,447
Income taxes receivable	35,910	202,838
Prepaid expenses and other current assets	76,273	72,460
Total current assets	1,187,486	1,384,458
Property and equipment, at cost, less accumulated depreciation and amortization of \$846,177 and \$857,468	130,015	123,912
Operating lease right of use asset	438,299	427,783
Intangible assets, net	277,043	309,644
Goodwill	775,453	760,401
Deferred tax assets and income taxes receivable	211,391	208,948
Other noncurrent assets	52,571	54,012
Total assets	\$ 3,072,258	\$ 3,269,158
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 159,901	\$ 160,929
Accrued salaries, wages and payroll taxes	95,154	154,764
Accrued income taxes and reserves for uncertain tax positions	271,800	280,115
Operating lease liabilities	205,391	206,898
Deferred revenue and other current liabilities	206,536	196,107
Total current liabilities	938,782	998,813
Long-term debt	1,488,974	1,486,876
Deferred tax liabilities and reserves for uncertain tax positions	264,567	226,362
Operating lease liabilities	240,543	228,820
Deferred revenue and other noncurrent liabilities	107,328	116,656
Total liabilities	3,040,194	3,057,527
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, no par, stated value \$.01 per share, 800,000,000 shares authorized, shares issued of 178,935,578 and 193,571,309	1,789	1,936
Additional paid-in capital	770,376	772,182
Accumulated other comprehensive loss	(37,099)	(21,645)
Retained earnings (deficit)	(48,677)	120,405
Less treasury shares, at cost, of 32,785,658 and 33,640,988	(654,325)	(661,247)
Total stockholders' equity	32,064	211,631
Total liabilities and stockholders' equity	\$ 3,072,258	\$ 3,269,158

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in 000s)

	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	\$ 553,700	\$ 553,674	\$ 89,610	\$ 583,791
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	130,501	142,178	24,586	156,852
Provision for credit losses	52,290	66,807	4,617	73,451
Deferred taxes	49,579	(53,352)	22,926	(22,583)
Stock-based compensation	31,326	34,252	4,700	28,271
Changes in assets and liabilities, net of acquisitions:				
Receivables	(57,244)	(37,889)	108,470	(150,933)
Prepaid expenses, other current and noncurrent assets	(7,011)	(1,944)	26,753	(49,498)
Accounts payable, accrued expenses, salaries, wages and payroll taxes	(67,627)	(19,645)	(186,754)	150,635
Deferred revenue, other current and noncurrent liabilities	(4,773)	7,342	(15,809)	(1,160)
Income tax receivables, accrued income taxes and income tax reserves	144,164	118,713	(43,476)	(138,152)
Other, net	(3,064)	(1,599)	(797)	(4,746)
Net cash provided by operating activities	<u>821,841</u>	<u>808,537</u>	<u>34,826</u>	<u>625,928</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Capital expenditures	(69,698)	(61,955)	(5,188)	(52,792)
Payments made for business acquisitions, net of cash acquired	(48,246)	(35,920)	(846)	(15,576)
Franchise loans funded	(21,633)	(18,467)	(135)	(26,917)
Payments from franchisees	27,350	30,899	8,634	41,215
Other, net	10,838	8,902	1,227	8,547
Net cash provided by (used in) investing activities	<u>(101,389)</u>	<u>(76,541)</u>	<u>3,692</u>	<u>(45,523)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Repayments of line of credit borrowings	(970,000)	(705,000)	—	(3,275,000)
Proceeds from line of credit borrowings	970,000	705,000	—	1,275,000
Repayments of long-term debt	—	(500,000)	—	(650,000)
Proceeds from issuance of long-term debt	—	—	494,435	647,965
Dividends paid	(177,925)	(186,476)	—	(195,068)
Repurchase of common stock, including shares surrendered	(568,952)	(563,174)	(4,633)	(191,294)
Proceeds from exercise of stock options	3,383	6,334	308	2,140
Other, net	(7,498)	(14,030)	(5,584)	(22,566)
Net cash provided by (used in) financing activities	<u>(750,992)</u>	<u>(1,257,346)</u>	<u>484,526</u>	<u>(2,408,823)</u>
Effects of exchange rate changes on cash	(4,857)	(8,101)	(1,800)	18,318
Net increase (decrease) in cash and cash equivalents, including restricted balances	(35,397)	(533,451)	521,244	(1,810,100)
Cash, cash equivalents and restricted cash, beginning of the period	1,050,713	1,584,164	1,062,920	2,873,020
Cash, cash equivalents and restricted cash, end of the period	<u>\$ 1,015,316</u>	<u>\$ 1,050,713</u>	<u>\$ 1,584,164</u>	<u>\$ 1,062,920</u>
<b>SUPPLEMENTARY CASH FLOW DATA:</b>				
Income taxes paid (received), net	\$ (45,539)	\$ 31,689	\$ 52,149	\$ 236,459
Interest paid on borrowings	69,554	81,960	14,317	103,855
Accrued additions to property and equipment	2,238	4,315	2,085	1,643
Accrued dividends payable to common shareholders	42,953	43,093	48,998	—

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) <sup>(1)</sup>	Retained Earnings (Deficit)	Treasury Stock		Total Stockholders' Equity		
	Shares	Amount				Shares	Amount			
Balances as of May 1, 2020	228,207	\$ 2,282	\$ 775,387	\$ (51,576)	\$ 42,965	(35,731)	\$ (698,017)	\$ 71,041		
Net income	—	—	—	—	583,791	—	—	583,791		
Other comprehensive income	—	—	—	56,362	—	—	—	56,362		
Stock-based compensation	—	—	26,138	—	—	—	—	26,138		
Stock-based awards exercised or vested	—	—	(11,417)	—	(1,900)	755	14,748	1,431		
Acquisition of treasury shares <sup>(2)</sup>	—	—	—	—	—	(214)	(3,081)	(3,081)		
Repurchase and retirement of common shares	(11,551)	(115)	(6,816)	—	(181,282)	—	—	(188,213)		
Cash dividends declared - \$1.04 per share	—	—	—	—	(195,068)	—	—	(195,068)		
Balances as of April 30, 2021	216,656	\$ 2,167	\$ 783,292	\$ 4,786	\$ 248,506	(35,190)	\$ (686,350)	\$ 352,401		
Net income	—	—	—	—	89,610	—	—	89,610		
Other comprehensive loss	—	—	—	(4,698)	—	—	—	(4,698)		
Stock-based compensation	—	—	4,285	—	—	—	—	4,285		
Stock-based awards exercised or vested	—	—	(8,112)	—	(2,424)	545	10,627	91		
Acquisition of treasury shares <sup>(2)</sup>	—	—	—	—	—	(197)	(4,633)	(4,633)		
Cash dividends declared - \$0.27 per share	—	—	—	—	(48,998)	—	—	(48,998)		
Balances as of June 30, 2021	216,656	\$ 2,167	\$ 779,465	\$ 88	\$ 286,694	(34,842)	\$ (680,356)	\$ 388,058		
Net income	—	—	—	—	553,674	—	—	553,674		
Other comprehensive loss	—	—	—	(21,733)	—	—	—	(21,733)		
Stock-based compensation	—	—	28,189	—	—	—	—	28,189		
Stock-based awards exercised or vested	—	—	(21,622)	—	(3,126)	1,634	31,937	7,189		
Acquisition of treasury shares <sup>(2)</sup>	—	—	—	—	—	(433)	(12,828)	(12,828)		
Repurchase and retirement of common shares	(23,085)	(231)	(13,850)	—	(536,265)	—	—	(550,346)		
Cash dividends declared - \$1.08 per share	—	—	—	—	(180,572)	—	—	(180,572)		
Balances as of June 30, 2022	193,571	\$ 1,936	\$ 772,182	\$ (21,645)	\$ 120,405	(33,641)	\$ (661,247)	\$ 211,631		
Net income	—	—	—	—	553,700	—	—	553,700		
Other comprehensive loss	—	—	—	(15,454)	—	—	—	(15,454)		
Stock-based compensation	—	—	27,086	—	—	—	—	27,086		
Stock-based awards exercised or vested	—	—	(20,258)	—	(1,899)	1,298	25,656	3,499		
Acquisition of treasury shares <sup>(2)</sup>	—	—	—	—	—	(443)	(18,734)	(18,734)		
Repurchase and retirement of common shares	(14,635)	(147)	(8,634)	—	(543,098)	—	—	(551,879)		
Cash dividends declared - \$1.16 per share	—	—	—	—	(177,785)	—	—	(177,785)		
Balances as of June 30, 2023	178,936	\$ 1,789	\$ 770,376	\$ (37,099)	\$ (48,677)	(32,786)	\$ (654,325)	\$ 32,064		

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

<sup>(2)</sup> Represents shares swapped or surrendered to us in connection with the vesting or exercise of stock-based awards.

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

**CHANGE IN FISCAL YEAR END** – On June 9, 2021, the Board of Directors approved a change of the Company's fiscal year end from April 30 to June 30. As a result of this change, the Company filed a Transition Report on Form 10-Q that included financial information for the transition period from May 1, 2021 to June 30, 2021 (Transition Period).

**CASH AND CASH EQUIVALENTS** – All non-restricted highly liquid instruments maturing within three months at acquisition are considered to be cash equivalents.

Outstanding checks in excess of funds on deposit (book overdrafts) included in accounts payable totaled \$3.3 million and \$2.7 million as of June 30, 2023 and 2022, respectively.

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

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

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

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

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

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

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

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

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

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

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

**FOREIGN CURRENCY** – The financial statements of the Company's foreign operations are translated into U.S. dollars. Assets and liabilities are translated at current exchange rates as of the balance sheet date, equity accounts at historical exchange rates, while income statement accounts are translated at the average rates in effect during the year. Translation adjustments are not included in net income, but are recorded as a separate component of other comprehensive income in stockholders' equity. Foreign currency gains and losses included in operating results for fiscal years ended June 30, 2023, June 30, 2022, April 30, 2021 and the Transition Period were not material.

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

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

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

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

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

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

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

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

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

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

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

**Refund Transfer** revenues are recognized when the Internal Revenue Service (IRS) filing acknowledgment is received and the bank account is established at our bank partner, Pathward™, N.A. (Pathward), a wholly-owned subsidiary of Pathward Financial, Inc.

**Emerald Card® and Spruce<sup>SM</sup>** revenues consist of interchange income from the use of debit cards and fees paid by cardholders. Interchange income is a fee paid by merchants to our bank partner through the interchange network. Revenues associated with Emerald Card® and Spruce<sup>SM</sup> are recognized based on authorization of cardholder transactions.

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

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

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

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

**MARKETING AND ADVERTISING** – Advertising costs for radio and television ads are expensed over the course of the tax season, with online, print and mailing advertising expensed as incurred. Marketing and advertising expenses totaled \$286.3 million, \$284.2 million and \$262.0 million for fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021, respectively, and \$11.9 million for the Transition Period.

**EMPLOYEE BENEFIT PLANS** – We have a 401(k) defined contribution plan in the U.S., and similar plans internationally, covering eligible full-time and seasonal employees following the completion of an eligibility period. Employer contributions to these plans are discretionary and totaled \$25.6 million, \$25.1 million and \$26.6 million for continuing operations for fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021, respectively, and \$3.4 million for the Transition Period.

We have severance plans covering executives and eligible regular full-time or part-time active employees who incur a qualifying termination. Expenses related to severance benefits for continuing operations totaled \$6.9 million, \$2.6 million and \$8.4 million for fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021, respectively, and \$1.2 million for the Transition Period.



## NOTE 2: REVENUE RECOGNITION

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

(in 000s)

	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
Revenues:				
U.S. assisted tax preparation	\$ 2,167,138	\$ 2,094,612	\$ 259,527	\$ 2,035,107
U.S. royalties	210,631	225,242	29,659	226,253
U.S. DIY tax preparation	314,758	319,086	76,106	313,055
Refund Transfers	143,310	162,893	14,269	163,329
Peace of Mind® Extended Service Plan	95,181	94,637	20,231	98,882
Tax Identity Shield®	38,265	39,114	3,928	40,624
Emerald Card® and Spruce <sup>SM</sup>	84,651	125,444	19,193	136,717
Interest and fee income on Emerald Advance <sup>SM</sup>	47,554	43,981	299	53,430
International	235,131	231,335	22,071	249,868
Wave	90,314	80,965	12,481	58,277
Other	45,252	45,961	8,342	38,445
Total revenues	<b>\$ 3,472,185</b>	<b>\$ 3,463,270</b>	<b>\$ 466,106</b>	<b>\$ 3,413,987</b>

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

(in 000s)

	POM Deferred Revenue			
	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
Balance, beginning of the period	\$ 173,486	\$ 172,759	\$ 183,871	\$ 183,685
Amounts deferred	103,136	110,679	12,464	115,114
Amounts recognized on previous deferrals	(109,365)	(109,952)	(23,576)	(114,928)
Balance, end of the period	<b>\$ 167,257</b>	<b>\$ 173,486</b>	<b>\$ 172,759</b>	<b>\$ 183,871</b>

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

(in 000s)

	POM Deferred Wages			
	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
Balance, beginning of the period	\$ 19,495	\$ 17,867	\$ 20,169	\$ 21,618
Amounts deferred	14,247	12,668	8	11,367
Amounts recognized on previous deferrals	(11,914)	(11,040)	(2,310)	(12,816)
Balance, end of the period	<b>\$ 21,828</b>	<b>\$ 19,495</b>	<b>\$ 17,867</b>	<b>\$ 20,169</b>

As of June 30, 2023, deferred revenue related to POM was \$167.3 million. We expect that \$99.9 million will be recognized over the next twelve months, while the remaining balance will be recognized over the following five years. POM deferred revenues are included in deferred revenue and other liabilities in the consolidated balance sheets. POM deferred wages are included in prepaid expenses and other current assets and other noncurrent assets.

As of June 30, 2023 and 2022, TIS deferred revenue was \$25.2 million and \$25.8 million, respectively. The related liabilities are included in deferred revenue and other current liabilities in the consolidated balance sheets. All deferred revenue related to TIS as of June 30, 2023 will be recognized by April 2024.

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

### NOTE 3: EARNINGS PER SHARE

Basic and diluted earnings 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 from continuing operations attributable to common shareholders by the weighted average shares outstanding during each period.

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

	(in 000s, except per share amounts)			
	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
Net income from continuing operations attributable to shareholders	\$ 561,800	\$ 560,646	\$ 91,119	\$ 590,212
Amounts allocated to participating securities	(2,272)	(2,468)	(402)	(2,413)
Net income from continuing operations attributable to common shareholders	<b>\$ 559,528</b>	<b>\$ 558,178</b>	<b>\$ 90,717</b>	<b>\$ 587,799</b>
Basic weighted average common shares	<b>154,044</b>	168,519	181,473	186,832
Potential dilutive shares	<b>3,204</b>	2,916	3,389	1,945
Dilutive weighted average common shares	<b>157,248</b>	171,435	184,862	188,777
Earnings per share from continuing operations attributable to common shareholders:				
Basic	\$ 3.63	\$ 3.31	\$ 0.50	\$ 3.15
Diluted	<b>3.56</b>	3.26	0.49	3.11

Diluted earnings per share excludes the impact of shares of common stock issuable upon the lapse of certain restrictions or the exercise of options to purchase 0.6 million, 0.4 million and 0.8 million shares of stock for fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021, respectively, and 0.3 million shares of stock for the Transition Period as the effect would be antidilutive.

## NOTE 4: RECEIVABLES

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

(in 000s)

As of	June 30, 2023		June 30, 2022	
	Short-term	Long-term	Short-term	Long-term
Loans to franchisees	\$ 6,344	\$ 19,206	\$ 6,194	\$ 22,036
Receivables for U.S. assisted and DIY tax preparation and related fees	11,061	6,824	18,893	2,560
H&R Block's Instant Refund <sup>SM</sup> receivables	8,499	414	3,491	198
H&R Block Emerald Advance <sup>®</sup> lines of credit	10,834	7,089	6,691	8,825
Software receivables from retailers	1,650	—	3,992	—
Royalties and other receivables from franchisees	3,416	—	3,682	73
Wave payment processing receivables	964	—	1,393	—
Other	17,219	1,108	14,111	1,172
	<u>\$ 59,987</u>	<u>\$ 34,641</u>	<u>\$ 58,447</u>	<u>\$ 34,864</u>

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 lines of credit primarily for the purpose of funding seasonal working capital needs. As of June 30, 2023 and 2022 loans with a principal balance more than 90 days past due, or on non-accrual status, are not material.

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

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

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

Balances and amounts on non-accrual status and classified as impaired, or more than 60 days past due, by tax return year of origination, as of June 30, 2023 are as follows:

		(in 000s)	
Tax return year of origination	Balance	More Than 60 Days Past Due	
2022	\$ 10,608	\$ 7,920	
2021 and prior	283	283	
	10,891	\$ 8,203	
Allowance	(1,978)		
Net balance	\$ 8,913		

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

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

Balances and amounts on non-accrual status and classified as impaired, or more than 60 days past due, by fiscal year of origination as of June 30, 2023, are as follows:

		(in 000s)	
Fiscal year of origination	Balance	Non-Accrual	
2023	\$ 28,031	\$ 28,031	
2022 and prior	3,040	3,040	
Revolving loans	14,238	13,118	
	45,309	\$ 44,189	
Allowance	(27,386)		
Net balance	\$ 17,923		

**Allowance for Credit Losses.** Activity in the allowance for credit losses for EAs and all other short-term and long-term receivables for the periods ended June 30, 2023, June 30, 2022, June 30, 2021 and April 30, 2021 is as follows:

	(in 000s)		
	EAs	All Other	Total
Balances as of May 1, 2020	\$ 32,034	\$ 50,446	\$ 82,480
Provision for credit losses	14,319	59,132	73,451
Charge-offs, recoveries and other	<u>(18,649)</u>	<u>(53,774)</u>	<u>(72,423)</u>
Balances as of April 30, 2021	27,704	55,804	83,508
Provision for credit losses	—	4,617	4,617
Charge-offs, recoveries and other	<u>—</u>	<u>(149)</u>	<u>(149)</u>
Balances as of June 30, 2021	27,704	60,272	87,976
Provision for credit losses	14,814	51,993	66,807
Charge-offs, recoveries and other	<u>(16,377)</u>	<u>(61,139)</u>	<u>(77,516)</u>
Balances as of June 30, 2022	26,141	51,126	77,267
Provision for credit losses	<b>16,059</b>	<b>36,231</b>	<b>52,290</b>
Charge-offs, recoveries and other	<b>(14,814)</b>	<b>(52,249)</b>	<b>(67,063)</b>
Balances as of June 30, 2023	<u><b>\$ 27,386</b></u>	<u><b>\$ 35,108</b></u>	<u><b>\$ 62,494</b></u>

## NOTE 5: PROPERTY AND EQUIPMENT

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

	(in 000s)	
As of	June 30, 2023	June 30, 2022
Buildings	\$ 28,954	\$ 34,303
Computers and other equipment	49,750	48,837
Leasehold improvements	49,428	38,142
Purchased software	506	1,253
Land and other non-depreciable assets	<u>1,377</u>	<u>1,377</u>
	<u><b>\$ 130,015</b></u>	<u><b>\$ 123,912</b></u>

Depreciation expense of property and equipment for continuing operations for fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021 was \$58.5 million, \$64.7 million and \$73.4 million, respectively and was \$10.8 million for the Transition Period.

The carrying value of long-lived assets held outside the U.S., which is comprised of property and equipment, totaled \$19.2 million and \$15.4 million as of June 30, 2023 and 2022 respectively.

## NOTE 6: GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the periods ended June 30, 2023 and 2022 are as follows:

	(in 000s)		
	Goodwill	Accumulated Impairment Losses	Net
Balances as of July 1, 2021	\$ 892,818	\$ (138,297)	\$ 754,521
Acquisitions	18,696	—	18,696
Disposals and foreign currency changes, net	(12,816)	—	(12,816)
Impairments	—	—	—
Balances as of June 30, 2022	898,698	(138,297)	760,401
Acquisitions <sup>(1)</sup>	<b>23,832</b>	—	<b>23,832</b>
Disposals and foreign currency changes, net	<b>(8,780)</b>	—	<b>(8,780)</b>
Impairments	—	—	—
Balances as of June 30, 2023	<b>\$ 913,750</b>	<b>\$ (138,297)</b>	<b>\$ 775,453</b>

<sup>(1)</sup> All goodwill added during the period is expected to be tax-deductible for federal income tax reporting.

We test goodwill for impairment annually as of February 1, 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
June 30, 2023:			
Reacquired franchise rights	\$ 392,452	\$ (212,495)	\$ 179,957
Customer relationships	351,695	(301,062)	50,633
Internally-developed software	133,380	(120,054)	13,326
Noncompete agreements	42,596	(39,617)	2,979
Franchise agreements	19,201	(18,668)	533
Purchased technology	122,700	(96,565)	26,135
Trade name	5,800	(2,320)	3,480
	<b>\$ 1,067,824</b>	<b>\$ (790,781)</b>	<b>\$ 277,043</b>
June 30, 2022:			
Reacquired franchise rights	\$ 379,114	\$ (197,068)	\$ 182,046
Customer relationships	331,020	(278,717)	52,303
Internally-developed software	137,638	(107,111)	30,527
Noncompete agreements	41,789	(37,684)	4,105
Franchise agreements	19,201	(17,388)	1,813
Purchased technology	122,700	(87,910)	34,790
Trade name	5,800	(1,740)	4,060
	<b>\$ 1,037,262</b>	<b>\$ (727,618)</b>	<b>\$ 309,644</b>

Amortization of intangible assets for continuing operations for the fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021 was \$72.0 million, \$77.5 million and \$83.4 million, respectively, and was \$13.8 million for the Transition Period. Estimated amortization of intangible assets for fiscal years 2024, 2025, 2026, 2027 and 2028 is \$55.6 million, \$32.8 million, \$23.6 million, \$17.8 million and \$10.5 million, respectively.

We made payments to acquire businesses totaling \$48.2 million, \$35.9 million and \$15.6 million during the fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021, respectively, and \$0.8 million for the Transition

Period. The amounts and weighted-average lives of assets acquired during fiscal year 2023, including amounts capitalized related to internally-developed software, are as follows:

(dollars in 000s)		
	Amount	Weighted-Average Life (in years)
Internally-developed software	\$ 3,354	2
Customer relationships	22,161	5
Reacquired franchise rights	13,586	4
Noncompete agreements	836	5
Total	\$ 39,937	5

## NOTE 7: LONG-TERM DEBT

The components of long-term debt are as follows:

(in 000s)		
As of	June 30, 2023	June 30, 2022
Senior Notes, 5.250%, due October 2025 <sup>(1)</sup>	\$ 350,000	\$ 350,000
Senior Notes, 2.500%, due July 2028 <sup>(1)</sup>	500,000	500,000
Senior Notes, 3.875%, due August 2030 <sup>(1)</sup>	650,000	650,000
Debt issuance costs and discounts	(11,025)	(13,124)
Total long-term debt	1,488,975	1,486,876
Less: Current portion	—	—
Long-term portion	\$ 1,488,975	\$ 1,486,876
Estimated fair value of long-term debt	\$ 1,339,000	\$ 1,377,000

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

Our unsecured committed line of credit (CLOC) provides for an unsecured senior revolving credit facility in the aggregate principal amount of \$1.5 billion, which includes a \$175.0 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 June 11, 2026, 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, as defined by the CLOC agreement, 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 March 31, June 30, and September 30 of each year and (b) 4.50 to 1.00 as of the last day of each fiscal quarter ending on December 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 June 30, 2023.

We had no outstanding balance under our CLOC as of June 30, 2023 and amounts available to borrow were not limited by the debt-to-EBITDA covenant as of June 30, 2023.

**OTHER INFORMATION** – The aggregate payments required to retire long-term debt are \$350.0 million in fiscal year 2026, \$500.0 million in fiscal year 2029 and \$650.0 million in fiscal year 2031.

## NOTE 8: STOCK-BASED COMPENSATION

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

(in 000s)

	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
Stock-based compensation expense	\$ 31,326	\$ 34,252	\$ 4,700	\$ 28,271
Tax benefit	7,386	6,494	1,016	1,802
Realized tax benefit	6,942	5,438	2,356	1,690

As of June 30, 2023, we had 9.3 million shares reserved for future awards under our Plan. We issue treasury shares to satisfy the exercise or vesting of stock-based awards and believe we have adequate treasury shares available for future issuances.

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

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

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

A summary of restricted share units and deferred stock units, including those that are performance-based, for the year ended June 30, 2023, is as follows:

(shares in 000s)

	Restricted Share Units and Deferred Stock Units		Performance-Based Share Units	
	Shares	Weighted- Average Grant Date Fair Value	Shares	Weighted- Average Grant Date Fair Value
Outstanding, beginning of the year	1,970	\$ 24.40	1,918	\$ 23.79
Granted	625	43.96	487	48.09
Released	(694)	22.98	(580)	31.54
Forfeited	(151)	32.88	(138)	34.84
Outstanding, end of the year	1,750	\$ 30.96	1,687	\$ 25.04

The total fair value of shares vesting during fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021 was \$33.6 million, \$33.3 million and \$16.1 million, respectively, and was \$12.3 million for the Transition Period. As



of June 30, 2023, we had \$41.3 million of total unrecognized compensation cost related to these shares. This cost is expected to be recognized over a weighted-average period of two years.

When valuing our performance-based share units on the grant date, we typically estimate the expected volatility using historical volatility for H&R Block, Inc. and selected comparable companies. The dividend yield is calculated based on the current dividend and the market price of our common stock on the grant date. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve in effect on the grant date. Both expected volatility and the risk-free interest rate are based on a period that approximates the expected term. There were no performance-based share units issued during the Transition Period. The following assumptions were used to value performance-based share units using the Monte Carlo valuation model during the periods:

	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended April 30, 2021
Expected volatility	24.80% - 163.58%	23.19% - 88.48%	21.14% - 84.49%
Expected term	3 years	3 years	3 years
Dividend yield <sup>(1)</sup>	0%	0%	0%-3.95%
Risk-free interest rate	3.43%	0.37 %	0.14% - 0.18%
Weighted-average fair value	\$ 48.58	\$ 27.07	\$ 16.74

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

## NOTE 9: INCOME TAXES

We file a consolidated federal income tax return in the U.S. with the IRS and file tax returns in various state, local, and foreign jurisdictions. Tax returns are typically examined and either settled upon completion of the examination or through the appeals process. With respect to federal, 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. On November 7, 2022, the IRS commenced their examination of our 2020 tax return and related carryback claims to tax years 2015 through 2018. Our U.S. federal income tax returns for tax years 2014 and prior are closed. 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.

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

	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
Domestic	\$ 447,900	\$ 478,166	\$ 145,714	\$ 489,499
Foreign	263,312	180,903	(24,719)	179,237
	\$ 711,212	\$ 659,069	\$ 120,995	\$ 668,736

We operate in multiple income tax jurisdictions both within the U.S. and internationally. Accordingly, management must determine the appropriate allocation of income to each of these jurisdictions based on transfer pricing analyses of comparable companies and predictions of future economic conditions. Although these intercompany transactions reflect arm's length terms and the proper transfer pricing documentation is in place, transfer pricing terms and conditions may be scrutinized by local tax authorities during an audit and any resulting changes may impact our mix of earnings in countries with differing statutory tax rates.

The reconciliation between the statutory U.S. federal tax rate and our effective tax rate from continuing operations is as follows:

	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
U.S. statutory tax rate	21.0 %	21.0 %	21.0 %	21.0 %
Change in tax rate resulting from:				
State income taxes, net of federal income tax benefit	1.6 %	2.1 %	2.9 %	1.8 %
Earnings taxed in foreign jurisdictions	(2.9)%	(2.4)%	0.8 %	(1.2)%
Permanent differences	0.6 %	0.9 %	0.4 %	0.5 %
Uncertain tax positions	(0.9)%	(6.3)%	2.9 %	7.5 %
U.S. tax on income from foreign affiliates	3.1 %	2.0 %	(1.6)%	1.0 %
Remeasurement of deferred tax assets and liabilities	— %	(0.2)%	(1.0)%	(0.1)%
Changes in prior year estimates	(0.2)%	0.1 %	— %	(0.5)%
Federal income tax credits	(1.3)%	(2.6)%	(0.5)%	(0.9)%
Tax benefit due to NOL carryback under CARES Act	(0.2)%	(0.1)%	— %	(17.5)%
Tax deductible write-down of foreign investment	— %	0.6 %	(0.2)%	(1.7)%
Change in valuation allowance - domestic	(0.4)%	0.2 %	— %	(0.2)%
Change in valuation allowance - foreign	0.7 %	(0.3)%	0.3 %	1.7 %
Other	(0.1)%	(0.1)%	(0.3)%	0.3 %
Effective tax rate	21.0 %	14.9 %	24.7 %	11.7 %

Our effective tax rate from continuing operations was 21.0%, 14.9% and 11.7% for fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021, respectively, and was 24.7% for the Transition Period. The increase in the effective tax rate for the year ended June 30, 2023 compared to the year ended June 30, 2022 is primarily due to lower benefits in the current year resulting from the expiration of statutes of limitations related to uncertain tax positions.

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

	(in 000s)			
	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
Current:				
Federal	\$ 97,430	\$ 121,319	\$ 11,563	\$ 58,834
State	19,023	25,108	743	12,000
Foreign	18,214	8,956	(1,481)	26,032
	134,667	155,383	10,825	96,866
Deferred:				
Federal	23,367	(58,487)	16,950	2,493
State	1,860	(2,016)	4,809	(11,368)
Foreign	(10,482)	3,543	(2,708)	(9,467)
	14,745	(56,960)	19,051	(18,342)
Total income taxes for continuing operations	\$ 149,412	\$ 98,423	\$ 29,876	\$ 78,524

We account for income taxes under the asset and liability method, which requires us to record deferred income tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis. Deferred taxes are determined separately for each tax-paying component within each tax jurisdiction based on provisions of enacted tax law. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record a valuation allowance to reduce our deferred tax assets to the estimated amount that we believe is more likely than not to be realized. Determination of a valuation allowance for deferred tax assets requires that we make judgments about future matters that are not certain, including projections of future taxable income and evaluating potential tax-planning strategies.

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

	(in 000s)	
As of	June 30, 2023	June 30, 2022
Deferred tax assets:		
Accrued expenses	\$ 2,540	\$ 1,917
Deferred revenue	17,702	35,519
Allowance for credit losses	22,715	30,565
Deferred and stock-based compensation	6,629	6,964
Net operating loss carry-forward	116,956	105,710
Lease liabilities	111,721	109,397
Federal tax benefits related to state unrecognized tax benefits	22,037	19,115
Property and equipment	—	9,846
Intangibles - intellectual property	80,879	77,123
Valuation allowance	(57,566)	(55,172)
Total deferred tax assets	<u>323,613</u>	<u>340,984</u>
Deferred tax liabilities:		
Prepaid expenses and other	(5,954)	(4,723)
Lease right of use assets	(109,814)	(107,445)
Property and equipment	(1,421)	—
Income tax method change	(1,018)	(5,892)
Intangibles	(56,651)	(59,424)
Total deferred tax liabilities	<u>(174,858)</u>	<u>(177,484)</u>
Net deferred tax assets	<u>\$ 148,755</u>	<u>\$ 163,500</u>

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

	(in 000s)	
As of	June 30, 2023	June 30, 2022
Deferred income tax assets	\$ 152,699	\$ 163,500
Deferred tax liabilities	(3,944)	—
Net deferred tax asset	<u>\$ 148,755</u>	<u>\$ 163,500</u>

Changes in our valuation allowance for fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021 and for the Transition Period are as follows:

(in 000s)

	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
Balance, beginning of the period	\$ 55,172	\$ 55,784	\$ 55,401	\$ 45,124
Additions charged to costs and expenses	6,438	4,752	389	13,492
Deductions	(4,044)	(5,364)	(6)	(3,215)
Balance, end of the period	<u>\$ 57,566</u>	<u>\$ 55,172</u>	<u>\$ 55,784</u>	<u>\$ 55,401</u>

Our valuation allowance on deferred tax assets has a net increase of \$2.4 million during the current period. The gross increase in valuation allowance of \$6.4 million is primarily related to net operating loss deferred tax assets generated in foreign jurisdictions that we do not expect to utilize in future years. This increase is offset by a \$4.0 million decrease to our valuation allowance balance for adjustments to certain domestic and foreign net operating losses utilized in the current fiscal year and changes in future projections of net operating loss utilization.

Certain of our subsidiaries file stand-alone returns in various state, local and foreign jurisdictions, and others join in filing consolidated or combined returns in such jurisdictions. As of June 30, 2023, we had net operating losses in various states and foreign jurisdictions. The amount of state and foreign net operating losses varies by taxing jurisdiction. We maintain a valuation allowance of \$19.3 million on state net operating losses and \$36.2 million on foreign net operating losses for the portion of such losses that, more likely than not, will not be realized. Of the \$117.0 million of net operating loss deferred tax assets, \$25.7 million will expire in varying amounts during fiscal years 2024 through 2041 and the remaining \$91.3 million have no expiration. Of the total net operating loss deferred tax assets, \$61.4 million are more likely than not to be realized.

We do not currently intend to repatriate non-borrowed funds held by our foreign subsidiaries in a manner that would trigger a tax liability; therefore, no provision has been made for income taxes that might be payable upon remittance of such earnings. The amount of unrecognized tax liability on these foreign earnings, net of expected foreign tax credits, is immaterial as of June 30, 2023.

Changes in unrecognized tax benefits for fiscal years ended June 30, 2023, June 30, 2022 and April 30, 2021 and for the Transition Period are as follows:

(in 000s)

	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
Balance, beginning of the period	\$ 232,004	\$ 264,323	\$ 264,810	\$ 168,062
Additions based on tax positions related to prior years	1,252	2,499	485	121,364
Reductions based on tax positions related to prior years	—	(5,332)	(1,209)	(34,470)
Additions based on tax positions related to the current year	33,330	32,948	679	43,800
Reductions related to settlements with tax authorities	(661)	(9,800)	(442)	(29,362)
Expiration of statute of limitations	(25,862)	(52,634)	—	(4,584)
Balance, end of the period	<u>\$ 240,063</u>	<u>\$ 232,004</u>	<u>\$ 264,323</u>	<u>\$ 264,810</u>

Included in the total gross unrecognized tax benefit ending balance as of June 30, 2023, June 30, 2022, June 30, 2021 and April 30, 2021, are \$209.0 million, \$203.7 million, \$224.5 million and \$214.9 million, respectively, which if recognized, would impact our effective tax rate. Increases from prior year are primarily related to additions based on current year tax positions offset by expirations of statute of limitations and settlements with taxing authorities.

We believe it is reasonably possible that the balance of unrecognized tax benefits could decrease by approximately \$33.7 million within the next twelve months. The anticipated decrease is due to the expiration of statutes of limitations, anticipated closure of various tax matters currently under examination, and settlements with tax authorities. For such matters where a change in the balance of unrecognized tax benefits is not yet deemed reasonably possible, no estimate has been included.

Interest and penalties, if any, accrued on the unrecognized tax benefits are reflected in income tax expense. The total gross interest and penalties accrued as of June 30, 2023 and 2022 totaled \$32.6 million and \$22.7 million, respectively.

## NOTE 10: COMMITMENTS AND CONTINGENCIES

Assisted tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client for penalties and interest attributable to an H&R Block error on a return. DIY tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client up to a maximum of \$10,000, if our software makes an arithmetic error that results in payment of penalties and/or interest to the respective taxing authority that a client would otherwise not have been required to pay. Our liability related to estimated losses under the 100% accuracy guarantee was \$15.8 million and \$14.0 million as of June 30, 2023 and 2022, 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 \$18.3 million and \$12.9 million as of June 30, 2023 and 2022, respectively, with amounts recorded in deferred revenue and other liabilities. These liabilities will be settled within the next ten years. Should actual results differ from our estimates, future payments made will differ from the above estimate and any differences will be recorded in results from continuing operations.

We have contractual commitments to fund certain franchises with approved short-term lines of credit for the purpose of meeting their seasonal working capital needs. Our total obligation under these lines of credit was \$0.4 million as of June 30, 2023, and net of amounts drawn and outstanding, our remaining commitment to fund totaled \$0.2 million.

In March 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide economic and other relief as a result of the COVID-19 pandemic. The CARES Act includes, among other items, provisions relating to refundable employee retention payroll tax credits. Due to the complex nature of the employee retention credit computations, any benefits we may receive are uncertain and may significantly differ from our current estimates. We plan to record any benefit related to these credits upon both the receipt of the benefit and the resolution of the uncertainties, including, but not limited to, the completion of any potential audit or examination, or the expiration of the related statute of limitations. During the year ended June 30, 2023, we received \$15.4 million related to these credits and recognized \$5.1 million as an offset to related operating expense. During the year ended June 30, 2022, we received \$7.3 million related to these credits and recognized \$2.2 million as an offset to related operating expense. As of June 30, 2023 and 2022 we had deferred balances of \$15.4 million and \$5.1 million, respectively, which is recorded in deferred revenue and other current liabilities.

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

We have a deferred compensation plan that permits certain employees to defer portions of their compensation and accrue income on the deferred amounts. As of June 30, 2023 and 2022, \$10.5 million is included in deferred revenue and other liabilities reflecting our obligation under this plan.

Emerald Advances are originated by Pathward, and pursuant to our participation agreement, we purchase a 90% participation interest in each advance made by Pathward. See [note 4](#) for additional information about these balances.

Refund Advance loans are originated by Pathward and offered to certain assisted U.S. tax preparation clients, based on client eligibility as determined by Pathward. We pay fees primarily based on loan size and customer type. We have provided a guarantee up to \$18.0 million related to certain loans to clients prior to the IRS accepting electronic filing. We accrued an estimated liability of \$0.7 million at June 30, 2023 related to this guarantee. As of

June 30, 2022 we had \$0.6 million accrued under the RA guarantee agreement, and we paid \$0.5 million, net of recoveries, related to that guarantee during the fiscal year ended June 30, 2023.

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

## NOTE 11: LEASES

Our lease costs and other information related to operating leases consisted of the following:

	(dollars in 000s)			
	Year Ended June 30, 2023	Year Ended June 30, 2022	Two Months Ended June 30, 2021 (Transition Period)	Year Ended April 30, 2021
Operating lease costs	\$ 238,899	\$ 233,004	\$ 36,853	\$ 239,357
Variable lease costs	85,239	79,923	14,359	77,758
Subrental income	(575)	(520)	(52)	(650)
Total lease costs	<u>\$ 323,563</u>	<u>\$ 312,407</u>	<u>\$ 51,160</u>	<u>\$ 316,465</u>
Cash paid for operating lease costs	\$ 236,423	\$ 236,946	\$ 35,394	\$ 240,299
New operating right of use assets and related lease liabilities	\$ 253,755	\$ 222,352	\$ 48,307	\$ 167,827
Weighted-average remaining operating lease term (years)	2	2	2	3
Weighted-average operating lease discount rate	4.1%	2.8 %	2.9 %	3.0 %

Aggregate operating lease maturities as of June 30, 2023 are as follows:

	(in 000s)
2024	\$ 219,082
2025	138,740
2026	61,387
2027	28,463
2028	11,838
2029 and thereafter	9,168
Total future undiscounted operating lease payments	<u>468,678</u>
Less imputed interest	<u>(22,744)</u>
Total operating lease liabilities	<u>\$ 445,934</u>

## NOTE 12: LITIGATION AND OTHER RELATED CONTINGENCIES

We are a defendant in numerous litigation and arbitration 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 or arbitrations to which we are subject. In some of the matters, very large or indeterminate amounts, including punitive damages, may be 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. 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 claim bears little relevance to its merits or disposition value due to this variability in pleadings and our experience in handling and resolving numerous claims over an extended period of time.

The outcome of a 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 courts and arbitrators will apply the law.

Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will view the relevant evidence and applicable law.

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

We accrue liabilities for litigation, arbitration and other related loss contingencies and any related settlements 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 June 30, 2023. 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 June 30, 2023 and 2022 our total accrued liabilities were \$0.2 million and \$1.7 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 or arbitrators on motions or appeals, analyses 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 June 30, 2023, 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.

At the end of each reporting period, we review relevant information with respect to litigation, arbitration and other related loss contingencies and update our accruals, disclosures, and estimates of reasonably possible loss or range of loss based on such reviews. Costs incurred with defending matters are expensed as incurred. Any receivable for insurance recoveries is recorded separately from the corresponding liability, and only if recovery is determined to be probable and reasonably estimable.

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

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

On May 6, 2019, the Los Angeles City Attorney filed a lawsuit on behalf of the People of the State of California in the Superior Court of California, County of Los Angeles (Case No. 19STCV15742). The case is styled The People of the State of California v. HRB Digital LLC, et al. The complaint alleges that H&R Block, Inc. and HRB Digital LLC engaged in unfair, fraudulent and deceptive business practices and acts in connection with the IRS Free File Program in violation of the California Unfair Competition Law, California Business and Professions Code §§17200 et seq. The complaint seeks injunctive relief, restitution of monies paid to H&R Block by persons in the State of California who were eligible to file under the IRS Free File Program for the time period starting 4 years prior to the date of the filing of the complaint, pre-judgment interest, civil penalties and costs. The City Attorney subsequently dismissed H&R Block, Inc. from the case and amended its complaint to add HRB Tax Group, Inc. We filed a motion for summary judgment, which was denied. The August 14, 2023 trial date was continued. A new 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.

We have received and are responding to certain governmental inquiries relating to the IRS Free File Program and our DIY tax preparation services. In February 2023, we received a demand and draft complaint from the Federal Trade Commission (FTC) relating to our DIY tax preparation services. If the parties are not able to reach amicable resolution, the FTC may seek resolution through litigation. We have not concluded that a loss related to these matters is probable, nor have we accrued a liability related to these matters.

**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 and may in the future be, subject to litigation and other loss contingencies, including indemnification and contribution claims, pertaining to SCC's mortgage business activities that occurred prior to such termination and sale.

Parties, including underwriters, depositors, and securitization trustees, have been, remain, or may in the future be, involved in lawsuits, threatened lawsuits, or 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, breaches of representations and warranties, or violations of statutory requirements. SCC has received notices of potential indemnification or contribution obligations relating to such matters. Additional lawsuits against the parties to the securitization transactions may be filed in the future, and SCC may receive additional notices of potential indemnification, contribution or similar obligations with respect to existing or new lawsuits or settlements of such lawsuits or other claims. In June 2023, a settlement was paid resolving certain of these matters. We have not concluded that a loss related to any other potential indemnification or contribution claims is probable, nor have we accrued a liability related to these matters.

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 and the indeterminate damages sought. If the amount that SCC is ultimately required to pay with respect to loss contingencies, 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 also may 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 June 30, 2023, total approximately \$262 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, arbitration 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.

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

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

### ITEM 9A. CONTROLS AND PROCEDURES

**(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES** – We have established disclosure controls and procedures (Disclosure Controls) to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed to ensure that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Disclosure Controls were designed to provide reasonable assurance that the controls and procedures would meet their objectives. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusions of two or more people or by management override of the control. Because of the inherent limitations in a cost-effective, maturing control system, misstatements due to error or fraud may occur and not be detected.

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

**(b) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING** – Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2023 based on the criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), using the 2013 framework.

Based on our assessment, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2023, the Company's internal control over financial reporting was effective based on the criteria set forth by COSO.

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

**(c) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING** – During the quarter ended June 30, 2023, there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

## PART III

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

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

The following information appearing in our definitive proxy statement, to be filed no later than 120 days after June 30, 2023, is incorporated herein by reference:

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

We have adopted a Code of Business Ethics and Conduct that applies to our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and persons performing similar functions. A copy of the Code of Business Ethics and Conduct is available on our website at [www.hrblock.com](http://www.hrblock.com). We intend to provide information on our website regarding amendments to, or waivers under, the Code of Business Ethics and Conduct.

## ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is contained in our definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after June 30, 2023, in the sections entitled "Director Compensation," "Director Compensation Table," "Compensation Discussion and Analysis," "Compensation Committee Report," "Compensation Committee Interlocks and Insider Participation," "Risk Assessment in Compensation Programs," and "Executive Compensation," and is incorporated herein by reference.

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

The information called for by this item is contained in our definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after June 30, 2023, in the sections entitled "Equity Compensation Plans" and "Information Regarding Security Holders," and is incorporated herein by reference.

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

The information called for by this item is contained in our definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after June 30, 2023, in the sections entitled "Employment Agreements, Change in Control and Other Arrangements," "Review of Related Person Transactions," and "Corporate Governance," and is incorporated herein by reference.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this item relating to our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34) is contained in our definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after June 30, 2023, in the section entitled "Audit Fees," and is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBIT INDEX

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

- 3.1 Amended and Restated Articles of Incorporation of H&R Block, Inc., as amended through September 12, 2013, filed as Exhibit 3.1 to the Company's current report on Form 8-K filed September 16, 2013, file number 1-06089, is incorporated herein by reference.
- 3.2 Amended and Restated Bylaws of H&R Block, Inc., as amended through July 14, 2015, filed as Exhibit 3.1 to the Company's current report on Form 8-K filed July 16, 2015, file number 1-06089, is incorporated herein by reference.
- 4.1 Indenture dated as of October 20, 1997, among H&R Block, Inc., Block Financial Corporation and Bankers Trust Company, as Trustee, filed as Exhibit 4(a) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1997, file number 1-06089, is incorporated herein by reference.
- 4.2 First Supplemental Indenture, dated as of April 18, 2000, among H&R Block, Inc., Block Financial Corporation, Bankers Trust Company and the Bank of New York, filed as Exhibit 4(a) to the Company's current report on Form 8-K filed April 17, 2000, file number 1-06089, is incorporated herein by reference.
- 4.3 Second Supplemental Indenture, dated September 30, 2015, among H&R Block, Inc., Block Financial LLC (formerly known as Block Financial Corporation), Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) and U.S. Bank National Association, as separate trustee, filed as Exhibit 4.1 to the Company's current report on Form 8-K filed September 30, 2015, file number 1-06089, is incorporated herein by reference.
- 4.4 Third Supplemental Indenture, dated August 7, 2020, among H&R Block, Inc., Block Financial LLC (formerly known as Block Financial Corporation), Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) and U.S. Bank National Association, as separate trustee, filed as Exhibit 4.1 to the Company's current report on Form 8-K filed August 7, 2020, file number 1-06089, is incorporated herein by reference.
- 4.5 Fourth Supplemental Indenture, dated June 25, 2021, among H&R Block, Inc., Block Financial LLC (formerly known as Block Financial Corporation), Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) and U.S. Bank National Association, as separate trustee, filed as Exhibit 4.1 to the Company's current report on Form 8-K filed June 25, 2021, file number 1-06089, is incorporated herein by reference.
- 4.6 Officers' Certificate, dated September 30, 2015, of Block Financial LLC (including the Form of the 4.125% Note due 2020 and the Form of the 5.250% Note due 2025), filed as Exhibit 4.2 to the Company's current report on Form 8-K filed September 30, 2015, file number 1-06089, is incorporated herein by reference.
- 4.7 Officers' Certificate, dated August 7, 2020, of Block Financial LLC (including the Form of the 3.875% Notes due 2030), filed as Exhibit 4.2 to the Company's current report on Form 8-K filed August 7, 2020, file number 1-06089, is incorporated herein by reference.
- 4.8 Officers' Certificate, dated June 25, 2021, of Block Financial LLC (including the Form of the 2.500% Notes due 2028), filed as Exhibit 4.2 to the Company's current report on Form 8-K filed June 25, 2021, file number 1-06089, is incorporated herein by reference.
- 4.9 Form of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4(e) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, file number 1-06089, is incorporated herein by reference.
- 4.10 Form of Certificate of Amendment of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4(j) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1998, file number 1-06089, is incorporated herein by reference.
- 4.11 Form of Certificate of Designation, Preferences and Rights of Delayed Convertible Preferred Stock of H&R Block, Inc., filed as Exhibit 4(f) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, file number 1-06089, is incorporated herein by reference.
- 4.12 Description of Securities.
- 10.1 \* 2013 Long-Term Incentive Plan, as amended and restated on March 6, 2013, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2013, file number 1-06089, is incorporated herein by reference.
- 10.2 \* Form of 2013 Long Term Incentive Plan Award Agreement for Deferred Stock Units, as approved on September 12, 2013, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2013, file number 1-06089, is incorporated herein by reference.
- 10.3 \* Form of 2013 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, as approved on July 18, 2016, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed July 22, 2016, file number 1-06089, is incorporated herein by reference.

- 10.4 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, as approved on June 19, 2017, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.5 \* [Alternate Form of 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 19, 2017, filed as Exhibit 10.5 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.6 \* [The Company's 2003 Long-Term Executive Compensation Plan, as amended September 30, 2010, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2010, file number 1-06089, is incorporated herein by reference.](#)
- 10.7 \* [First Amendment to the Company's 2003 Long-Term Executive Compensation Plan, effective May 10, 2012, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed May 11, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.8 \* [Form of 2003 Long-Term Executive Compensation Plan Grant Agreement for Stock Options as approved on June 20, 2012, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 26, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.9 \* [H&R Block Deferred Compensation Plan for Executives, as amended and restated effective January 1, 2022, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2021, file number 1-06089, is incorporated herein by reference.](#)
- 10.10 \* [The Amended and Restated H&R Block Executive Performance Plan, filed as Exhibit 10.8 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 10.11 \* [The H&R Block, Inc. 2000 Employee Stock Purchase Plan, as amended and restated on March 2, 2020, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2020, file number 1-06089, is incorporated herein by reference.](#)
- 10.12 \* [The H&R Block, Inc. Executive Survivor Plan \(as Amended and Restated January 1, 2001\) filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2000, file number 1-06089, is incorporated herein by reference.](#)
- 10.13 \* [First Amendment to the H&R Block, Inc. Executive Survivor Plan \(as Amended and Restated\) effective as of July 1, 2002, filed as Exhibit 10.9 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2002, file number 1-06089, is incorporated herein by reference.](#)
- 10.14 \* [Second Amendment to the H&R Block, Inc. Executive Survivor Plan \(as Amended and Restated\), effective as of March 12, 2003, filed as Exhibit 10.12 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2003, file number 1-06089, is incorporated herein by reference.](#)
- 10.15 \* [H&R Block Severance Plan, as amended and restated on May 15, 2021, filed as Exhibit 10.17 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2021, file number 1-06089, is incorporated herein by reference.](#)
- 10.16 \* [H&R Block Inc. Executive Severance Plan, as amended and restated effective May 9, 2022, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2022, file number 1-06089, is incorporated herein by reference.](#)
- 10.17 \* [Form of Indemnification Agreement with Directors and Officers, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.18 \* [2008 Deferred Stock Unit Plan for Outside Directors, as amended on September 14, 2011, filed as Exhibit 10.27 to the Company's annual report on Form 10-K for the year ended April 30, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.19 \* [Employment Agreement dated November 4, 2021, between H&R Block, Inc., HRB Professional Resources LLC, and Jeffrey J. Jones II, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed November 4, 2021, file number 1-06089, is incorporated herein by reference.](#)
- 10.20 \* [H&R Block, Inc. 2018 Long Term Incentive Plan, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed September 14, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.21 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Deferred Stock Units, as approved on November 3, 2017, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.22 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed September 14, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.23 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on June 20, 2019, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 10.24 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 20, 2019, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.](#)

- 10.25 \* Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 20, 2019, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.
- 10.26 \* Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on June 20, 2019, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.
- 10.27 \* Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 20, 2019, filed as Exhibit 10.5 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.
- 10.28 \* Form of 2018 Long Term Incentive Plan Award Agreement for Two-Year Restricted Share Units, as approved on June 20, 2019, filed as Exhibit 10.6 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.
- 10.29 \* Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Two-Year Restricted Share Units, as approved on June 20, 2019, filed as Exhibit 10.7 to the Company's current report on Form 8-K filed June 24, 2019, file number 1-06089, is incorporated herein by reference.
- 10.30 \* Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 25, 2021, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed June 30, 2021, file number 1-06089, is incorporated herein by reference.
- 10.31 \* Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 25, 2021, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed June 30, 2021, file number 1-06089, is incorporated herein by reference.
- 10.32 \* Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 25, 2021, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 30, 2021, file number 1-06089, is incorporated herein by reference.
- 10.33 \* Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 25, 2021, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed June 30, 2021, file number 1-06089, is incorporated herein by reference.
- 10.34 \* Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on August 11, 2022, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed August 17, 2022, file number 1-06089, is incorporated herein by reference.
- 10.35 \* Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on August 11, 2022, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed August 17, 2022, file number 1-06089, is incorporated herein by reference.
- 10.36 Fourth Amended and Restated Credit and Guarantee Agreement dated June 11, 2021, by and among Block Financial LLC, H&R Block, Inc., the lenders party thereto from time to time, and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed June 15, 2021, file number 1-06089, is incorporated herein by reference.
- 10.37 First Amendment to Fourth Amended and Restated Credit and Guarantee Agreement, dated May 25, 2023, by and among Block Financial LLC, H&R Block, Inc., the lenders party thereto from time to time, and JPMorgan Chase Bank, N.A., as administrative agent, including Annex I, which is a conformed copy of the Fourth Amended and Restated Credit and Guarantee Agreement as amended by the First Amendment, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed May 30, 2023, file number 1-06089, is incorporated herein by reference.
- 10.38 Program Management Agreement, dated August 5, 2020, by and between Emerald Financial Services, LLC and Pathward, N.A. filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2020, file number 1-06089, is incorporated herein by reference.
- 10.39 First Amendment to Program Management Agreement, dated December 20, 2021, by and between Emerald Financial Services, LLC and Pathward, N.A. filed as Exhibit 10.1 to the Company's current report on Form 8-K filed December 23, 2021, file number 1-06089, is incorporated herein by reference.
- 21 Subsidiaries of the Company.
- 22 List of Guarantor and Issuer Subsidiaries.
- 23 Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
- 31.1 Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 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	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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\* Indicates management contracts, compensatory plans or arrangements.

\*\* Furnished, not filed.

## SIGNATURES

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

H&R BLOCK, INC.

/s/ Jeffrey J. Jones II

Jeffrey J. Jones II  
President and Chief Executive Officer  
August 17, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated on August 17, 2023.

/s/ Jeffrey J. Jones II

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

/s/ Tony G. Bowen

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

/s/ Kellie J. Logerwell

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

/s/ Robert A. Gerard

Robert A. Gerard  
Director, Chairman of the Board

/s/ Sean H. Cohan

Sean H. Cohan  
Director

/s/ Anuradha Gupta

Anuradha Gupta  
Director

/s/ Richard A. Johnson

Richard A. Johnson  
Director

/s/ Mia F. Mends

Mia F. Mends  
Director

/s/ Yolande G. Piazza

Yolande G. Piazza  
Director

/s/ Victoria J. Reich

Victoria J. Reich  
Director

/s/ Matthew E. Winter

Matthew E. Winter  
Director

## NON-GAAP FINANCIAL INFORMATION AND RECONCILIATIONS

We refer to certain Non-GAAP financial measures in this Annual Report, including adjusted earnings per share, earnings before interest, taxes, depreciation, and amortization (EBITDA), free cash flow, and free cash flow yield, which management believes provide additional meaningful information regarding the Company's performance and financial strength. The following information provides reconciliations of the most comparable financial measures presented in accordance with accounting principles generally accepted in the United States (GAAP). All non-GAAP financial measures in this Annual Report are from continuing operations. 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.

### NON-GAAP MEASURE: EBITDA

The following is a reconciliation of EBITDA, which is a non-GAAP financial measure:

<b>EBITDA</b>		<i>(in 000's)</i>	
Year Ended June 30,	2023	2022	
Net income - as reported	\$553,700	\$553,674	
Discontinued operations, net	<u>8,100</u>	<u>6,972</u>	
Net income from continuing operations - as reported	<u>561,800</u>	<u>560,646</u>	
Add back:			
Income taxes	149,412	98,423	
Interest expense	72,978	88,282	
Depreciation and amortization	<u>130,501</u>	<u>142,178</u>	
	<u>352,891</u>	<u>328,883</u>	
EBITDA from continuing operations	<u>\$914,691</u>	<u>\$889,529</u>	

### NON-GAAP MEASURE: ADJUSTED EPS

The following is a reconciliation of Adjusted EPS, which is a non-GAAP financial measure:

<b>Adjusted EPS</b>		<i>(in 000's, except per share amounts)</i>			
Year Ended June 30,	2023	2022	\$	Variance	%
Net income from continuing operations - as reported	\$561,800	\$560,646			
Adjustments:					
Amortization of intangibles related to acquisitions (pretax)	51,411	56,292			
Tax effect of adjustments <sup>1</sup>	<u>(10,797)</u>	<u>(13,358)</u>			
Adjusted net income from continuing operations	<u>\$602,414</u>	<u>\$603,580</u>			
Diluted earnings per share from continuing operations - as reported	\$3.56	\$3.26	\$0.30		9%
Adjustments, net of tax	<u>0.26</u>	<u>0.25</u>			
Adjusted diluted earnings per share from continuing operations	<u>\$3.82</u>	<u>\$3.51</u>	<u>\$0.31</u>		<u>9%</u>

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



## NON-GAAP MEASURE: ADJUSTED EPS GROWTH SINCE 2019

The following is a reconciliation of Adjusted EPS, which is a non-GAAP financial measure:

<b>Adjusted EPS</b>		<i>(in 000's, except per share amounts)</i>			
Year Ended June 30,	2023	2019	\$	Variance	%
Net income from continuing operations - as reported	\$561,800	\$445,511			
Adjustments:					
Amortization of intangibles related to acquisitions (pretax)	51,411	62,883			
Tax effect of adjustments <sup>1</sup>	<u>(10,797)</u>	<u>(15,147)</u>			
Adjusted net income from continuing operations	<u>\$602,414</u>	<u>\$493,247</u>			
Diluted earnings per share from continuing operations - as reported	\$3.56	\$2.16	\$1.40		65%
Adjustments, net of tax	<u>0.26</u>	<u>0.23</u>			
Adjusted diluted earnings per share from continuing operations	<u>\$3.82</u>	<u>\$2.39</u>	<u>\$1.43</u>		<u>60%</u>

## NON-GAAP MEASURE: PERCENTAGE OF FREE CASH FLOW RETURNED TO SHAREHOLDERS

The following is a reconciliation of the Percentage of Free Cash Flow Returned to Shareholders, which is a non-GAAP financial measure:

<b>Percentage of Free Cash Flow Returned to Shareholders</b>								<i>(in 000's)</i>
	Year Ended June 30,		Two Months		Year Ended June 30,		Five Year Total	
	2023	2022	Ended June 30,	2021	2020	2019		
			2021					
Share repurchases	\$550,218	\$550,346	-	\$188,213	\$246,785	\$184,838	\$1,720,400	
Dividends	<u>177,925</u>	<u>186,476</u>	<u>-</u>	<u>195,068</u>	<u>204,870</u>	<u>205,461</u>	<u>969,800</u>	
Total dollars returned to shareholders	<u>728,143</u>	<u>736,822</u>	<u>-</u>	<u>383,281</u>	<u>451,655</u>	<u>390,299</u>	<u>2,690,200</u>	
Operating cash flow - as reported	821,841	808,537	34,826	625,928	108,961	606,538	3,006,631	
Less: capital expenditures	<u>(69,698)</u>	<u>(61,955)</u>	<u>(5,188)</u>	<u>(52,792)</u>	<u>(81,685)</u>	<u>(95,490)</u>	<u>(366,808)</u>	
Free cash flow	\$752,143	\$746,582	\$29,638	\$573,136	\$27,276	\$511,048	\$2,639,823	
Percentage of free cash flow								102%

## NON-GAAP MEASURES: FREE CASH FLOW AND FREE CASH FLOW YIELD

The following is a reconciliation of Free Cash Flow and Free Cash Flow Yield, which are non-GAAP financial measures:

<b>Free Cash Flow and Free Cash Flow Yield</b>		<i>(in 000s, except per share amounts)</i>
Year Ended June 30,		2023
Operating cash flow - as reported		\$821,841
Less: Capital expenditures		<u>(69,698)</u>
Free cash flow		\$752,143
Market price at June 30, 2023		\$31.87
Shares outstanding		<u>146,150</u>
Market capitalization		<u>\$4,657,801</u>
Free cash flow yield		16.1%

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

## FORWARD LOOKING STATEMENTS

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These materials contain forward-looking statements within the meaning of the securities laws. 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, products or services, or descriptions of assumptions underlying any of the above. They may also include the expected impact of external events beyond the Company’s control, such as outbreaks of infectious disease (including the COVID-19 pandemic), severe weather events, natural or manmade disasters, or changes in the regulatory environment in which we operate. 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, and regulatory factors, many of which are beyond the Company’s control, that are described in our Annual Report on Form 10-K for the most recently completed fiscal year in the section entitled “Risk Factors” and additional factors we may describe from time to time in other filings with the Securities and Exchange Commission. You may get such filings for free at our website at <http://investors.hrblock.com>. 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, future actions of the Company, and increases in applicable tax rates in jurisdictions where the Company operates. You should understand that it is not possible to predict or identify all such factors and, consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

## MARKET AND INDUSTRY DATA

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The data included in this Annual Report regarding the tax preparation services industry, including trends in the market and the company’s position and the position of its competitors within this industry, are based on the company’s estimates, which have been derived from management’s knowledge and experience in the industry, and information obtained from customers, trade and business organizations, internal research, publicly available information, industry publications and surveys and other contacts in the industry. The company has also cited information compiled by industry publications, governmental agencies and publicly available sources. Although the company believes these third-party sources to be reliable, it has not independently verified the data obtained from these sources and it cannot assure you of the accuracy or completeness of the data. Estimates of market size and relative positions in a market are difficult to develop and inherently uncertain and the company cannot assure you that it is accurate. Accordingly, you should not place undue weight on the industry and market share data presented in this Annual Report.



## Corporate Information

### HEADQUARTERS

H&R Block Center  
One H&R Block Way  
Kansas City, Missouri 64105  
816.854.3000

### TRANSFER AGENT & REGISTRAR

EQ Shareowner Services  
P.O. Box 64874  
St. Paul, Minnesota 55164-0874  
or  
1110 Centre Pointe Curve, Suite 101  
Mendota Heights, Minnesota 55120-4100  
888.213.0968  
shareowneronline.com

EQ Shareowner Services maintains the records for registered shareowners and provides a variety of shareowner-related services at no charge, including change of name or address, consolidation of accounts, duplicate mailings, dividend reinvestment enrollment, and transfer of stock to another person.

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP  
1100 Walnut Street, Suite 3300  
Kansas City, Missouri 64106-2129

### COMMON STOCK

Traded on the New York Stock Exchange  
Ticker symbol: HRB

### FORM 10-K REQUESTS

Upon request, we will furnish, without charge, to our shareholders a copy of our 2023 Form 10-K as filed with the Securities and Exchange Commission. Requests should be directed to Investor Relations by e-mail at [investorrelations@hrblock.com](mailto:investorrelations@hrblock.com) or online at <https://investors.hrblock.com/>.

For more information about H&R Block, visit our website at [www.hrblock.com](http://www.hrblock.com).

### CERTIFICATIONS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE SARBANES-OXLEY ACT OF 2002

The certifications of the Chief Executive Officer and Chief Financial Officer of the company required by Section 302 of the Sarbanes-Oxley Act of 2002 have been filed as exhibits 31.1 and 31.2, respectively, in the company's Form 10-K for the fiscal year ended June 30, 2023.

### CERTIFICATION SUBMITTED TO THE NEW YORK STOCK EXCHANGE

The certification of the Chief Executive Officer required by the New York Stock Exchange Listing Standards, Section 303A.12(a), relating to the company's compliance with the New York Stock Exchange Corporate Governance Listing Standards, was submitted to the New York Stock Exchange on November 18, 2022.



**H&R BLOCK, INC.**

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816.854.3000

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