

# **Business Leadership Organized for Catholic Schools**

Financial Report  
June 30, 2022

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Business Leadership Organized for Catholic Schools

### Opinion

We have audited the financial statements of Business Leadership Organized for Catholic Schools (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*RSM US LLP*

Blue Bell, Pennsylvania  
January 12, 2023

**Business Leadership Organized for Catholic Schools**

**Statements of Financial Position  
June 30, 2022 and 2021**

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Current assets:  |                      |                      |
| Cash and cash equivalent   | \$ 53,329,164        | \$ 38,805,991        |
| Restricted cash equivalent   | 1,084,646            | 1,082,799            |
| Restricted investment  | 3,042,177            | 3,242,863            |
| Other current assets   | 82,015               | 42,450               |
| <b>Total current assets</b>  | <b>57,538,002</b>    | 43,174,103           |
| Investments  | 27,110,578           | 34,165,461           |
| Furniture, equipment and leasehold improvements, net of<br>accumulated depreciation of \$111,946 and \$110,349, respectively | 17,175               | 2,551                |
| Investments under agreement with Urban Endowment schools   | 4,203,605            | 5,202,515            |
| <b>Total assets</b>  | <b>\$ 88,869,360</b> | <b>\$ 82,544,630</b> |
| <b>Liabilities and Net Assets</b>  |                      |                      |
| Current liabilities:   |                      |                      |
| Accounts payable and accrued expense   | \$ 25,838            | \$ 105,833           |
| Due to Independence Mission Schools  | 4,126,823            | 4,325,662            |
| Accrued grants payable   | 824,042              | 823,968              |
| <b>Total current liabilities</b>   | <b>4,976,703</b>     | 5,255,463            |
| Liability under agreement with Urban Endowment schools   | 4,203,605            | 5,202,515            |
| Loan payable   | -                    | 156,800              |
| <b>Total liabilities</b>   | <b>9,180,308</b>     | 10,614,778           |
| Commitments and contingencies (Note 6)   |                      |                      |
| Net assets:  |                      |                      |
| Without donor restrictions   | 4,447,038            | 3,795,681            |
| With donor restrictions  | 75,242,014           | 68,134,171           |
| <b>Total net assets</b>  | <b>79,689,052</b>    | 71,929,852           |
| <b>Total liabilities and net assets</b>  | <b>\$ 88,869,360</b> | <b>\$ 82,544,630</b> |

See notes to financial statements.

**Business Leadership Organized for Catholic Schools**

**Statement of Activities  
Year Ended June 30, 2022**

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|---|-------------------------------|----------------------------|----------------------|
| Public support and revenue:             |                               |                            |                      |
| Contributions                           | \$ 2,034,112                  | \$ 67,604,892              | \$ 69,639,004        |
| Net investment return                   | 167,611                       | (5,247,471)                | (5,079,860)          |
| Fundraising Revenue                     | 345,041                       | -                          | 345,041              |
| Other income                            | 156,800                       | -                          | 156,800              |
| Net assets released from restrictions   | 55,249,578                    | (55,249,578)               | -                    |
| <b>Total public support and revenue</b> | <b>57,953,142</b>             | <b>7,107,843</b>           | <b>65,060,985</b>    |
| Expenses:                               |                               |                            |                      |
| Program services:                       |                               |                            |                      |
| Program expense                         | 55,826,363                    | -                          | 55,826,363           |
| <b>Total program services</b>           | <b>55,826,363</b>             | <b>-</b>                   | <b>55,826,363</b>    |
| Supporting services:                    |                               |                            |                      |
| Management and general                  | 576,687                       | -                          | 576,687              |
| Fundraising                             | 898,735                       | -                          | 898,735              |
| <b>Total supporting services</b>        | <b>1,475,422</b>              | <b>-</b>                   | <b>1,475,422</b>     |
| <b>Total expenses</b>                   | <b>57,301,785</b>             | <b>-</b>                   | <b>57,301,785</b>    |
| <b>Change in net assets</b>             | <b>651,357</b>                | <b>7,107,843</b>           | <b>7,759,200</b>     |
| Net assets, beginning                   | 3,795,681                     | 68,134,171                 | 71,929,852           |
| Net assets, ending                      | <b>\$ 4,447,038</b>           | <b>\$ 75,242,014</b>       | <b>\$ 79,689,052</b> |

See notes to financial statements.

**Business Leadership Organized for Catholic Schools**

**Statement of Activities  
Year Ended June 30, 2021**

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|---|-------------------------------|----------------------------|-------------------|
| Public support and revenue:             |                               |                            |                   |
| Contributions                           | \$ 1,829,996                  | \$ 49,853,815              | \$ 51,683,811     |
| Net investment return                   | 157,542                       | 8,177,051                  | 8,334,593         |
| Other income                            | 156,800                       | -                          | 156,800           |
| Net assets released from restrictions   | 52,769,431                    | (52,769,431)               | -                 |
| <b>Total public support and revenue</b> | <b>54,913,769</b>             | <b>5,261,435</b>           | <b>60,175,204</b> |
| Expenses:                               |                               |                            |                   |
| Program services:                       |                               |                            |                   |
| Program expense                         | 53,341,487                    | -                          | 53,341,487        |
| <b>Total program services</b>           | <b>53,341,487</b>             | <b>-</b>                   | <b>53,341,487</b> |
| Supporting services:                    |                               |                            |                   |
| Management and general                  | 555,760                       | -                          | 555,760           |
| Fundraising                             | 814,810                       | -                          | 814,810           |
| <b>Total supporting services</b>        | <b>1,370,570</b>              | <b>-</b>                   | <b>1,370,570</b>  |
| <b>Total expenses</b>                   | <b>54,712,057</b>             | <b>-</b>                   | <b>54,712,057</b> |
| <b>Change in net assets</b>             | <b>201,712</b>                | <b>5,261,435</b>           | <b>5,463,147</b>  |
| Net assets, beginning                   | 3,593,969                     | 62,872,736                 | 66,466,705        |
| Net assets, ending                      | \$ 3,795,681                  | \$ 68,134,171              | \$ 71,929,852     |

See notes to financial statements.

**Business Leadership Organized for Catholic Schools**

**Statement of Functional Expenses  
Year Ended June 30, 2022**

|  | Program<br>Services  | Supporting Services          |                   | Total<br>Expenses    |
|--|----------------------|------------------------------|-------------------|----------------------|
|  | Program<br>Expense   | Management<br>and<br>General | Fundraising       |                      |
| Scholarships                                     | \$ 54,420,429        | \$ -                         | \$ -              | \$ 54,420,429        |
| Grants to schools—Urban Endowment                | 824,043              | -                            | -                 | 824,043              |
| Salaries, payroll taxes and<br>employee benefits | 544,367              | 374,819                      | 499,621           | 1,418,807            |
| Other program expenses                           | 5,106                | -                            | -                 | 5,106                |
| Events   | -                    | -                            | 212,088           | 212,088              |
| Professional fees                                | 18,406               | 73,415                       | 12,732            | 104,553              |
| Public relations and marketing                   | -                    | -                            | 112,317           | 112,317              |
| Other operating expenses                         | 1,701                | 57,648                       | 49,667            | 109,016              |
| Rent and utility                                 | 11,779               | 11,779                       | 11,779            | 35,337               |
| Insurance  | -                    | 58,494                       | -                 | 58,494               |
| Depreciation                                     | 532                  | 532                          | 531               | 1,595                |
|  | <b>\$ 55,826,363</b> | <b>\$ 576,687</b>            | <b>\$ 898,735</b> | <b>\$ 57,301,785</b> |

See notes to financial statements.



**Business Leadership Organized for Catholic Schools**

**Statement of Functional Expenses  
Year Ended June 30, 2021**

|  | Program              | Supporting Services |                   | Total                |
|--|----------------------|---------------------|-------------------|----------------------|
|  | Services             | Management          | Fundraising       |                      |
|  | Program              | and                 |                   | Total                |
|  | Expense              | General             | Fundraising       | Expenses             |
| Scholarships                                     | \$ 51,920,637        | \$ -                | \$ -              | \$ 51,920,637        |
| Grants to schools—Urban Endowment                | 823,968              | -                   | -                 | 823,968              |
| Salaries, payroll taxes and<br>employee benefits | 543,163              | 367,534             | 489,045           | 1,399,742            |
| Other program expenses                           | 24,827               | -                   | -                 | 24,827               |
| Events   | -                    | -                   | 2,781             | 2,781                |
| Professional fees                                | 14,275               | 77,420              | 8,600             | 100,295              |
| Public relations and marketing                   | -                    | -                   | 285,014           | 285,014              |
| Other operating expenses                         | 2,234                | 56,242              | 16,988            | 75,464               |
| Rent and utility                                 | 11,621               | 11,619              | 11,620            | 34,860               |
| Insurance  | -                    | 42,183              | -                 | 42,183               |
| Depreciation                                     | 762                  | 762                 | 762               | 2,286                |
|  | <u>\$ 53,341,487</u> | <u>\$ 555,760</u>   | <u>\$ 814,810</u> | <u>\$ 54,712,057</u> |

See notes to financial statements.

**Business Leadership Organized for Catholic Schools**

**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

|   | 2022                 | 2021                 |
|---|----------------------|----------------------|
| Cash flows from operating activities:   |                      |                      |
| Change in net assets  | \$ 7,759,200         | \$ 5,463,147         |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                      |                      |
| Depreciation expense  | 1,595                | 2,286                |
| Net realized and unrealized loss (gains) on investments   | 6,028,793            | (8,118,943)          |
| Forgiveness of PPP loan   | (156,800)            | (156,800)            |
| Changes in operating assets and liabilities:  |                      |                      |
| (Increase) decrease in assets:  |                      |                      |
| Other current assets  | (39,565)             | 230,377              |
| Investments under agreement with Urban Endowment schools  | 998,910              | (997,529)            |
| Increase (decrease) in liabilities:   |                      |                      |
| Accounts payable  | (79,995)             | 23,002               |
| Due to Independence Mission Schools   | 1,847                | 375                  |
| Accrued grants payable  | 74                   | 54,884               |
| Liability under agreement with Urban Endowment schools  | (998,910)            | 997,529              |
| <b>Net cash provided by (used in) operating activities</b>  | <b>13,515,149</b>    | <b>(2,501,672)</b>   |
| Cash flows from investing activities:   |                      |                      |
| Purchase of equipment   | (16,219)             | -                    |
| Purchase of investments   | (998,910)            | (12,043,723)         |
| Proceeds from the sale of investments   | 2,025,000            | 13,758,800           |
| <b>Net cash provided by investing activities</b>  | <b>1,009,871</b>     | <b>1,715,077</b>     |
| Cash flows from financing activities:   |                      |                      |
| Proceeds from loan payable  | -                    | 166,800              |
| Repayment of loan payable   | -                    | (10,000)             |
| <b>Net cash provided by financing activities</b>  | <b>-</b>             | <b>156,800</b>       |
| <b>Net increase (decrease) in cash, cash equivalent and restricted cash equivalent</b>                | <b>14,525,020</b>    | <b>(629,795)</b>     |
| Cash, cash equivalent and restricted cash equivalent, beginning                                       | 39,888,790           | 40,518,585           |
| Cash, cash equivalent and restricted cash equivalent, ending  | <b>\$ 54,413,810</b> | <b>\$ 39,888,790</b> |
| Cash and cash equivalent  | \$ 53,329,164        | \$ 38,805,991        |
| Restricted cash equivalent  | 1,084,646            | 1,082,799            |
| Cash, cash equivalent and restricted cash equivalent, ending  | <b>\$ 54,413,810</b> | <b>\$ 39,888,790</b> |

See notes to financial statements.

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

Business Leadership Organized for Catholic Schools (BLOCS or the Organization) operates exclusively to enlist financial support for the continuance and long-term betterment of the Catholic elementary, secondary and special education schools of the Archdiocese of Philadelphia along with assisting other schools associated with the Educational Improvement Tax Credit (EITC) contributions and Opportunity Scholarship Tax Credit (OSTC) contributions. BLOCS receives support in the form of donor contributions, EITC and OSTC contributions, and endowment contributions. BLOCS was incorporated in 2001, and until July 1, 2009, was accounted for under the Archdiocese of Philadelphia's financial statements as well as Internal Revenue Service Form 990. Beginning July 1, 2009, BLOCS maintained separate books and records, had separate financial statements prepared and obtained a separate tax-exempt status ruling from that of the Archdiocese of Philadelphia.

A summary of the Organization's significant accounting policies is as follows:

**Basis of accounting:** The financial statements of BLOCS have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

**Use of estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations during the reported period. Actual results could differ from those estimates.

**Cash and cash equivalent:** BLOCS considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalent.

**Restricted cash equivalent and investment:** Restricted cash equivalent and investment represents funds held on behalf of Independence Mission Schools for pass-through contributions. The corresponding liability is presented as due to Independence Mission Schools.

**Contributions receivable:** Contributions receivable represent unconditional promises to give, are recognized as revenue in the period awarded and as assets, decreases of liabilities or decreases of expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the net present value of the estimated cash flows beyond one year using a risk-free rate of return appropriate for the expected term of the promise to give.

**Investment valuation and income recognition:** Investments in equity and debt securities are reported at fair value. Fair value is primarily determined based on quoted market prices or other market inputs. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment advisory fees. Investment income on donor-restricted endowment funds are recorded to net assets with donor restrictions.

BLOCS provides information about the fair value of its investments under the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (Note 4).

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Furniture, equipment and leasehold improvements:** Furniture, equipment and leasehold improvements are recorded at cost for purchased items, or if donated, at the estimated fair value at the date of donation. Items are depreciated on a straight-line basis over the estimated useful lives of the respective assets, three to five years.

**Net assets:** Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor-imposed restrictions.

**Net assets with donor restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. BLOCS reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Support and revenue recognition:** BLOCS recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**Functional allocation of expenses:** The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expense that are allocated include salaries, payroll taxes and employee benefits, rent and utility, and depreciation, which are allocated on the basis of estimates of time and effort.

**Costs of direct benefits to donors:** BLOCS conducts a special event in which a portion of the gross proceeds paid by the participant represents payment for the direct costs of the benefits received by the participant at the event. The direct costs of the special event, which ultimately benefits the donor rather than BLOCS, is recorded as costs of direct benefits to donor's expense.

**Scholarships:** BLOCS awards scholarships under EITC and OSTC programs in accordance with program guidelines and donors' restrictions. BLOCS also awards emergency scholarships based on the available funds and students' needs. Scholarship expense is recorded when the scholarships become unconditional. Conditions generally include the schools providing a satisfactory list of eligible students and the eligible student attending the school.

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Grants to schools:** BLOCS awards grants to schools under the Urban Endowment Initiatives (UEI) program. Expense and payable are recognized when distributions are approved by the board of directors based on the applicable percentage of endowment investment balance in accordance with terms prescribed in the UEI agreements with each school.

**Income taxes:** BLOCS is a nonprofit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, BLOCS qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. BLOCS had no net unrelated business income for the years ended June 30, 2022 and 2021.

Management evaluated BLOCS' tax positions and concluded that BLOCS had taken no uncertain tax positions that require adjustment to the financial statements. BLOCS files income tax returns in the U.S. federal jurisdiction. Generally, BLOCS is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2019.

**Recent accounting guidance – adopted:** On July 1, 2021, BLOCS adopted guidance for not-for-profit entities in Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, addresses presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets. The adoption of this standard had no significant impact to BLOCS' financial statements for the year ended June 30, 2022.

**Recent accounting guidance – not yet adopted:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statements. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. These ASUs are effective for BLOCS' annual reporting periods beginning after December 15, 2021, with early adoption permitted. BLOCS is currently evaluating the impact of pending adoption of the new standard on BLOCS' financial statements.

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

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#### Note 2. Liquidity and Availability of Financial Resources

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 and 2021, comprise the following:

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| Financial assets at year end:                             |                     |                     |
| Cash and cash equivalent                                  | \$ 53,329,164       | \$ 38,805,991       |
| Restricted cash equivalent                                | 1,084,646           | 1,082,799           |
| Restricted investment                                     | 3,042,177           | 3,242,863           |
| Investments   | 27,110,578          | 34,165,461          |
| Investments under agreements with Urban Endowment schools | 4,203,605           | 5,202,515           |
| Total financial assets                                    | <u>88,770,170</u>   | <u>82,499,629</u>   |
| Less amounts not available to be used in one year:        |                     |                     |
| Net assets with donor restrictions (Note 8)               | (75,242,014)        | (68,134,171)        |
| Due to Independence Mission Schools                       | (4,126,823)         | (4,325,662)         |
| Liability under agreement with Urban Endowment schools    | (4,203,605)         | (5,202,515)         |
| Financial assets not available to be used in one year     | <u>(83,572,442)</u> | <u>(77,662,348)</u> |
| Financial assets available to be used within one year     | <u>\$ 5,197,728</u> | <u>\$ 4,837,281</u> |

BLOCS has a liquidity policy to maintain financial assets available to meet at least 100% of annual general expenditures. To achieve this, BLOCS forecasts its future cash flows and monitors its liquidity quarterly. BLOCS considers general expenditures to include management and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year. BLOCS manages its cash available to meet general expenditures by operating within a prudent range of financial soundness and stability and maintaining a sufficient level of asset liquidity.

#### Note 3. Investments

BLOCS values its investments at fair value. The cost and fair value of the investments are as follows at June 30, 2022 and 2021:

|                                | 2022                 |                      |
|--------------------------------|----------------------|----------------------|
|                                | Cost<br>Basis        | Fair<br>Value        |
| Mutual funds                   | \$ 31,826,021        | \$ 31,314,183        |
| Short-term corporate bond fund | 3,204,795            | 3,042,177            |
| Total                          | <u>\$ 35,030,816</u> | <u>\$ 34,356,360</u> |

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

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#### Note 3. Investments (Continued)

|                                | 2021                 |                      |
|--------------------------------|----------------------|----------------------|
|                                | Cost<br>Basis        | Fair<br>Value        |
| Mutual funds                   | \$ 31,725,721        | \$ 39,367,976        |
| Short-term corporate bond fund | 3,123,018            | 3,242,863            |
| Total                          | <u>\$ 34,848,739</u> | <u>\$ 42,610,839</u> |

Investments at fair value at June 30, 2022 and 2021, consist of the following:

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| Investments  | \$ 27,110,578        | \$ 34,165,461        |
| Restricted investments (Note 7)                                      | 3,042,177            | 3,242,863            |
| Investments under agreement with Urban Endowment schools<br>(Note 9) | 4,203,605            | 5,202,515            |
|  | <u>\$ 34,356,360</u> | <u>\$ 42,610,839</u> |

#### Note 4. Fair Value Measurements

BLOCS measures its investments at fair value on a recurring basis in accordance with U.S. GAAP. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

- Level 1:** Fair value is based on unadjusted quoted prices in active markets that are accessible to BLOCS for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.
- Level 2:** Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.
- Level 3:** Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The following is a description of the valuation methodology used for instruments measured at fair value at June 30, 2022 and 2021.

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

#### Note 4. Fair Value Measurements (Continued)

**Mutual funds:** The fair value of securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1).

The tables below present the balance of assets measured at fair value at June 30, 2022 and 2021, on a recurring basis.

|                                | 2022   |  |  | Fair Value    |
|--------------------------------|--|--|--|---------------|
|                                | Quoted Prices<br>in Active<br>Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |               |
| Investments:                   |  |  |  |               |
| Mutual funds:                  |  |  |  |               |
| Short-term bond                | \$ 1,701,296                                       | \$ -                                       | \$ -   | \$ 1,701,296  |
| Intermediate-term bond         | 966,147  | -  | -  | 966,147       |
| Intermediate-core bond         | 3,474,802  | -  | -  | 3,474,802     |
| International bond             | 2,662,301  | -  | -  | 2,662,301     |
| Long-term bond                 | 865,533  | -  | -  | 865,533       |
| Domestic stock large growth    | 1,555,532  | -  | -  | 1,555,532     |
| Domestic stock large blend     | 10,301,058   | -  | -  | 10,301,058    |
| Domestic stock large value     | 1,590,010  | -  | -  | 1,590,010     |
| Foreign stock large growth     | 1,663,518  | -  | -  | 1,663,518     |
| Foreign stock large blend      | 4,302,331  | -  | -  | 4,302,331     |
| Foreign stock large value      | 2,231,654  | -  | -  | 2,231,654     |
|                                | 31,314,182   | -  | -  | 31,314,182    |
| Short-term corporate bond fund | 3,042,178  | -  | -  | 3,042,178     |
| Total investments              | 34,356,360   | -  | -  | 34,356,360    |
| Money market funds             | 1,284,855  | -  | -  | 1,284,855     |
| Total                          | \$ 35,641,215                                      | \$ -                                       | \$ -   | \$ 35,641,215 |

At June 30, 2022, \$1,084,646 of money market funds is included in restricted cash equivalent in the statements of financial position. The remaining balance of \$200,210 of money market fund is included in cash and cash equivalent in the statements of financial position.



## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

#### Note 4. Fair Value Measurements (Continued)

|                                | 2021   |  |  | Fair Value    |
|--------------------------------|--|--|--|---------------|
|                                | Quoted Prices<br>in Active<br>Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |               |
| Investments:                   |  |  |  |               |
| Mutual funds:                  |  |  |  |               |
| Short-term bond                | \$ 1,878,701                                       | \$ -                                       | \$ -   | \$ 1,878,701  |
| Intermediate-term bond         | 1,158,093  | -  | -  | 1,158,093     |
| Intermediate-core bond         | 4,217,278  | -  | -  | 4,217,278     |
| International bond             | 2,989,839  | -  | -  | 2,989,839     |
| Long-term bond                 | 1,168,671  | -  | -  | 1,168,671     |
| Domestic stock large growth    | 2,494,313  | -  | -  | 2,494,313     |
| Domestic stock large blend     | 12,839,836   | -  | -  | 12,839,836    |
| Domestic stock large value     | 1,682,844  | -  | -  | 1,682,844     |
| Foreign stock large growth     | 2,606,631  | -  | -  | 2,606,631     |
| Foreign stock large blend      | 5,575,360  | -  | -  | 5,575,360     |
| Foreign stock large value      | 2,756,410  | -  | -  | 2,756,410     |
|                                | 39,367,976   | -  | -  | 39,367,976    |
| Short-term corporate bond fund | 3,242,863  | -  | -  | 3,242,863     |
| Total investments              | 42,610,839   | -  | -  | 42,610,839    |
| Money market funds             | 1,282,667  | -  | -  | 1,282,667     |
| Total                          | \$ 43,893,506                                      | \$ -                                       | \$ -   | \$ 43,893,506 |

At June 30, 2021, \$1,082,799 of money market funds is included in restricted cash equivalent in the statements of financial position. The remaining balance of \$199,868 of money market fund is included in cash and cash equivalent in the statements of financial position.

At June 30, 2022 and 2021, BLOCS did not have any financial instruments that are recorded at fair value on a non-recurring basis. In addition, there was no change in valuation techniques used to measure fair value of the assets.

#### Note 5. Employee Retirement Plan

BLOCS sponsors a 401(k) plan which provides for a 4% match of the employee compensation. BLOCS contributed \$43,221 and \$50,774 to the plan for the years ended June 30, 2022 and 2021, respectively.

#### Note 6. Commitments and Contingencies

**Investments:** BLOCS owns various investments in mutual funds. These investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future financial statements.

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

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#### Note 6. Commitments and Contingencies (Continued)

**Public revenue and support concentration:** Approximately 87% and 73% of BLOCS' public support and revenue were from BLOCS Scholarship LLCs for the years ended June 30, 2022 and 2021, respectively (Note 7).

**Operating leases:** BLOCS leases its office space under a non-cancelable license agreement through August 2024. In accordance with the terms of the agreement, the landlord has the right to terminate the lease with 60 days advanced notice.

BLOCS has a non-cancelable lease for office equipment, expiring in May 2026. Rent expense was \$29,843 and \$29,820 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease rental payments under these lease agreements are as follows:

|                      |                  |
|----------------------|------------------|
| Year ending June 30: |                  |
| 2023                 | \$ 35,105        |
| 2024                 | 35,100           |
| 2025                 | 9,100            |
| 2026                 | 3,575            |
|                      | <u>\$ 82,880</u> |

**The Bridge the Gap Scholarship Program (the Program):** On April 4, 2019, BLOCS entered into a gift agreement with Faith in the Future Foundation (FIFF). FIFF has one representative that serves on the governing board of FIFF and BLOCS. Under the agreement, BLOCS made a commitment to FIFF for a maximum of \$3,200,000 to fund the Program, to be paid in annual installments of \$800,000 per year for four years beginning with the 2019-2020 academic year. BLOCS may reduce or eliminate any portion or all of the funding as it determines prudent in its sole discretion. During the years ended June 30, 2022 and 2021, BLOCS paid \$700,000 to seven schools under the Program, and \$800,000 to eight schools under the Program, respectively. The remaining commitment to FIFF was \$900,000 as of June 30, 2022.

**Litigation:** In the normal course of business, BLOCS becomes involved in litigation matters. BLOCS' management does not expect the resolution of any outstanding matters to have a significant impact on BLOCS' financial position.

**COVID-19:** During 2020, the outbreak of the Coronavirus adversely impacted commercial activity and contributed to significant declines and volatility in financial markets. Depending on the severity and length of the outbreak, the Coronavirus could present uncertainty and risk to BLOCS' activities and its financial results.

#### Note 7. Related-Party Transactions

For the years ended June 30, 2022 and 2021, respectively, BLOCS recorded \$708,009 and \$1,348,513 in contributions from companies that have representatives who are members of BLOCS governing board. This amount also includes personal contributions received from those board members.

For the years ended June 30, 2022 and 2021, respectively, BLOCS recorded \$8,824,091 and \$8,556,949 in scholarship awards and school grants to the Independence Mission Schools (IMS), which has two representatives that serve on the governing board of that organization and BLOCS.

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

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#### Note 7. Related-Party Transactions (Continued)

During the year ended June 30, 2019, BLOCS received a \$9,000,000 pass-through contribution for IMS, which is maintained in a separate investment account. BLOCS made no disbursements for the years ended June 30, 2022 and 2021. The remaining balance of the pass-through contribution plus investment earnings totaling \$4,126,823 and \$4,325,662 as of June 30, 2022 and 2021, respectively, are presented as due to Independence Mission Schools in the statements of financial position.

BLOCS has formed various special purpose entities, BLOCS Scholarship LLC #1-29, #31-52, #54, #57-59, #61-63, #65, #67-69, #72-73, #86, #94, #99, #107, #112, #114, #117, #119, #121 and #130 (78 entities, collectively, the Scholarship LLCs) for the purpose of affording members the opportunity to make contributions to EITC and OSTC programs. After members make capital contributions to the Scholarship LLCs, the Scholarship LLCs will make contributions to BLOCS within 60 days following the approval letter from the Commonwealth of Pennsylvania for an amount equal to the members' capital contributions. The Scholarship LLCs made contributions totaling \$61,257,556 and \$43,752,556 to BLOCS during the years ended June 30, 2022 and 2021, respectively.

BLOCS serves as the manager of the Scholarship LLCs, as defined in the operating agreements, to carry out the purpose of these entities. BLOCS does not have any membership interest in the LLCs, and as such, BLOCS does not consolidate the LLCs in its financial statements.

#### Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 and 2021, are available for the following purposes:

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| Subject to expenditure for specified purpose:    |                      |                      |
| EITC/OSTC Funds                                  | \$ 50,370,801        | \$ 34,754,010        |
| Emergency Scholarships                           | 7,280,170            | 11,403,576           |
| Student Appeal/Other                             | 187,878              | 188,154              |
|  | <u>57,838,849</u>    | <u>46,345,740</u>    |
| Endowments:                                      |                      |                      |
| Endowments—available for appropriation           | 3,406,669            | 7,791,935            |
| Endowments—original donor-restricted gift amount | 13,996,496           | 13,996,496           |
|  | <u>17,403,165</u>    | <u>21,788,431</u>    |
|  | <u>\$ 75,242,014</u> | <u>\$ 68,134,171</u> |

Net assets released from donor restrictions during the years ended June 30, 2022 and 2021, are summarized as follows:

|                        | 2022                 | 2021                 |
|------------------------|----------------------|----------------------|
| EITC/OSTC Funds        | \$ 51,840,600        | \$ 50,946,351        |
| Emergency Scholarships | 2,342,705            | 983,112              |
| Student Appeal/Other   | 82,190               | 15,999               |
| Endowment              | 984,083              | 823,969              |
|                        | <u>\$ 55,249,578</u> | <u>\$ 52,769,431</u> |

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

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#### Note 9. Endowment

BLOCS' endowment consists of funds established as part of the BLOCS Urban Endowment Initiative and the Emergency Scholarship Fund. Contributions to the endowment are subject to donor restrictions that stipulate the original principal be held and invested by BLOCS indefinitely and that distributions be made to the schools in accordance with the endowment spending policy, as noted below, and to be paid annually during the following year. There are no board-designated endowments at June 30, 2022 or 2021.

**Interpretation of relevant law:** The Commonwealth of Pennsylvania has not adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA). State law allows nonprofit organizations to make an election to adopt a total return investment policy as provided by Act 141 (1988) of Pennsylvania legislature, 15 Pa. C.S.A Section 5548 (total return election). BLOCS did not make a total return election.

BLOCS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policies of BLOCS

**Return objectives and risk parameters:** BLOCS has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide current income. BLOCS' objective is to provide income for Catholic Schools in the Archdiocese of Philadelphia, preserve endowment assets without subjecting them to substantial risk, and provide additional growth through new gifts.

**Strategies employed for achieving objectives:** To satisfy its long-term rate-of-return objectives, BLOCS relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). As a result, endowment assets are invested in exchange traded securities and mutual funds. BLOCS intends to build endowment assets through additional contributions.

**Spending policy:** BLOCS Urban Endowment Initiative has a policy of appropriating for distribution 5% of the average fair market value as of April 30 of the previous three fiscal years to be paid annually to the participant schools based on the proportion of each school's endowment to the total endowment under Urban Endowment.

BLOCS Emergency Scholarship Fund program has a policy of appropriating for distribution 5% of the average fair market value as of April 30 of the previous three fiscal years to be paid based on available funds and scholarship need request applications received and approved by the board of directors.

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

#### Note 9. Endowment (Continued)

The appropriation from the donor-restricted portion of the endowment totaled \$984,083 and \$823,968 for the years ended June 30, 2022 and 2021, respectively, of which \$984,083 and \$823,968 was payable at June 30, 2022 and 2021, respectively, and was disbursed during the subsequent fiscal year.

BLOCS' policy requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, BLOCS classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is classified as either net assets with donor restrictions or net assets without donor restrictions based on the existence of donor restrictions or by law.

Endowment net assets composition by type of fund as of June 30, 2022:

|                                       | 2022                          |                            |               |
|---------------------------------------|-------------------------------|----------------------------|---------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
| Donor-restricted endowment funds:     |                               |                            |               |
| Original donor-restricted gift amount | \$ -                          | \$ 13,996,496              | \$ 13,996,496 |
| Amount available for appropriation    | -                             | 3,406,669                  | 3,406,669     |
| Total funds                           | \$ -                          | \$ 17,403,165              | \$ 17,403,165 |

Changes in the endowment net assets for the fiscal year ended June 30, 2022:

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|--|-------------------------------|----------------------------|---------------|
| Endowment net assets, July 1, 2021                   | \$ -                          | \$ 21,788,431              | \$ 21,788,431 |
| Net investment loss                                  | -                             | (3,401,183)                | (3,401,183)   |
| Appropriation of endowment assets<br>for expenditure | -                             | (984,083)                  | (984,083)     |
| Endowment net assets, June 30, 2022                  | \$ -                          | \$ 17,403,165              | \$ 17,403,165 |

Endowment net assets composition by type of fund as of June 30, 2021:

|                                       | 2021                          |                            |               |
|---------------------------------------|-------------------------------|----------------------------|---------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
| Donor-restricted endowment funds:     |                               |                            |               |
| Original donor-restricted gift amount | \$ -                          | \$ 13,996,496              | \$ 13,996,496 |
| Amount available for appropriation    | -                             | 7,791,935                  | 7,791,935     |
| Total funds                           | \$ -                          | \$ 21,788,431              | \$ 21,788,431 |

## Business Leadership Organized for Catholic Schools

### Notes to Financial Statements

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#### Note 9. Endowment (Continued)

Changes in the endowment net assets for the fiscal year ended June 30, 2021:

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|--|-------------------------------|----------------------------|---------------|
| Endowment net assets, July 1, 2020                   | \$ -                          | \$ 17,362,127              | \$ 17,362,127 |
| Net investment return                                | -                             | 5,250,272                  | 5,250,272     |
| Appropriation of endowment assets<br>for expenditure | -                             | (823,968)                  | (823,968)     |
| Endowment net assets, June 30, 2021                  | \$ -                          | \$ 21,788,431              | \$ 21,788,431 |

BLOCS is holding and investing funds on behalf of one of the schools under Urban Endowment Initiative, which has the right to the corpus of the endowment fund originally contributed by donors and related investment earnings, net of distributions. In addition, BLOCS is holding and investing funds on behalf of the three schools who are direct recipients and beneficiaries of a portion of the endowment contributions. BLOCS has recorded \$4,203,605 and \$5,202,515 as investments under Agreement with Urban Endowment schools and liability under Agreement with Urban Endowment schools as of June 30, 2022 and 2021, respectively. The liability includes \$3,993,789 and \$3,993,789 of contributions and \$209,816 and \$1,208,726 of cumulative allocated investment income, net of distributions, as of June 30, 2022 and 2021, respectively. For the year ended June 30, 2022, the liability decreased from net investment loss of \$781,323 and from payments to the schools of \$217,587. For the year ended June 30, 2021, the liability increased from net investment income of \$1,202,344 and contributions of \$4,043, and decreased from payments to the schools of \$208,858. These transactions have been accounted for as pass-through transactions and, therefore, are not reflected in the accompanying statements of activities.

#### Note 10. Loan Payable

On April 23, 2020, BLOCS received loan proceeds in the amount of \$156,800 under the Paycheck Protection Program (PPP) from a financial institution which has a representative who is a member of BLOCS governing board. The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration (SBA). The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after a period of eight weeks or twenty four weeks at the discretion of BLOCS, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. On March 16, 2021, BLOCS received a second PPP loan in the amount of \$156,800 from the same financial institution as the first PPP loan.

## **Business Leadership Organized for Catholic Schools**

### **Notes to Financial Statements**

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#### **Note 10. Loan Payable (Continued)**

These funds were considered to be a loan under ASC 470 until BLOCS receives formal notification of forgiveness. Subject to any forgiveness under the PPP, the term note matured two years following the date of issuance. Payments were deferred until the SBA remitted the forgiveness amount to the lender and any amounts not forgiven were to be repaid in substantially, equal monthly payments of principal and interest, accruing at a rate of 1% annually. On March 10, 2021, BLOCS received notification that the first PPP loan was forgiven in full, including accrued interest, in the total amount of \$158,162. The debt forgiveness of \$156,800 was recorded as other income in the statement of activities for the year ended June 30, 2021. On November 19, 2021, BLOCS received notification that the second PPP loan was forgiven in full, including accrued interest, in the total amount of \$157,921. The debt forgiveness of \$156,800 is recorded as other income in the statement of activities for the year ended June 30, 2022. Each loan is subject to audit by the SBA for a period of six years following forgiveness. The principal balance of PPP loan was \$0 and \$156,800 as of June 30, 2021 and 2020, respectively.

#### **Note 11. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2022 and 2021, the Organization had cash deposits of approximately \$49,678,000 and \$38,692,000 in excess of the FDIC insured limit, respectively. At June 30, 2022, cash deposits were maintained at seven institutions, three of which have officers that are members of BLOCS board of directors. At June 30, 2021, cash deposits were maintained at six institutions, three of which have officers that are members of BLOCS board of directors.

#### **Note 12. Subsequent Events**

BLOCS evaluated subsequent events (events occurring after June 30, 2022) through January 12, 2023, the date the financial statements were available to be issued.