Business Leadership Organized for Catholic Schools

Financial Report
June 30, 2016

Contents

Independent Auditor's Report

To the Board of Directors
Business Leadership Organized for Catholic Schools
King of Prussia, Pennsylvania

Report on the Financial Statements
We have audited the accompanying financial statements of Business Leadership Organized for Catholic Schools, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Business Leadership Organized for Catholic Schools as of June 30, 2016 and 2015, 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.

RSM US LLP

Blue Bell, Pennsylvania
March 30, 2017

Business Leadership Organized for Catholic Schools

Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 13,061,666**	$ 11,197,061
Short-term investments	**2,205,113**	1,719,155
Contributions receivable	**9,566**	32,750
Current portion of mortgage receivable	**160,540**	147,503
Other current assets	**78,449**	20,195
Total current assets	**15,515,334**	13,116,664
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $29,080 and $15,789, respectively	**60,491**	73,282
Investments	**17,536,437**	22,796,633
Mortgage receivable, less current portion	**1,915,819**	2,076,359
Endowment contributions receivable, net	**-**	65,066
Restricted cash	**200,000**	200,000
Investments under agreement with Urban Endowment school	**814,546**	875,861
Total assets	**$ 36,042,627**	$ 39,203,865
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expense	**$ 542,287**	$ 108,428
Accrued grants payable - endowment	**598,965**	633,485
Total current liabilities	**1,141,252**	741,913
Amount due to limited partnership	**200,000**	200,000
Liability under agreement with Urban Endowment school	**814,546**	875,861
Total liabilities	**2,155,798**	1,817,774
Commitment and contingencies (Note 9)		
Net assets:		
Unrestricted	**1,906,515**	1,298,983
Temporarily restricted	**19,188,934**	23,310,062
Permanently restricted	**12,791,380**	12,777,046
Total net assets	**33,886,829**	37,386,091
Total liabilities and net assets	**$ 36,042,627**	$ 39,203,865

See notes to financial statements.

Business Leadership Organized for Catholic Schools

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions and grants	$ 1,797,363	$ 11,151,982	$ 14,334	$ 12,963,679
Fundraising events	480,634	-	-	480,634
Investment income (loss)	30,898	(355,785)	-	(324,887)
Mortgage interest income	-	183,370	-	183,370
Net assets released from restrictions	15,100,695	(15,100,695)	-	-
Total public support and revenue	17,409,590	(4,121,128)	14,334	13,302,796
Expenses:				
Program services:				
Program expense	15,811,202	-	-	15,811,202
Total program services	15,811,202	-	-	15,811,202
Supporting services:				
Management and general	382,104	-	-	382,104
Fundraising	554,539	-	-	554,539
Cost of direct benefit to donors	54,213			54,213
Total supporting services	990,856	-	-	990,856
Total expenses	16,802,058	-	-	16,802,058
Change in net assets	607,532	(4,121,128)	14,334	(3,499,262)
Net assets, beginning	1,298,983	23,310,062	12,777,046	37,386,091
Net assets, ending	$ 1,906,515	$ 19,188,934	$ 12,791,380	$ 33,886,829

See notes to financial statements.

Business Leadership Organized for Catholic Schools

Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions and grants	$ 1,219,207	$ 16,982,683	$ 217,434	$ 18,419,324
Fundraising events	440,062	-	-	440,062
Investment income (loss)	16,041	(77,109)	-	(61,068)
Mortgage interest income	-	195,589	-	195,589
Net assets released from restrictions	11,318,960	(11,318,960)	-	-
Total public support and revenue	12,994,270	5,782,203	217,434	18,993,907
Expenses:				
Program services:				
Program expense	11,727,664	-	-	11,727,664
Total program services	11,727,664	-	-	11,727,664
Supporting services:				
Management and general	410,390	-	-	410,390
Fundraising	540,643	-	-	540,643
Cost of direct benefit to donors	47,573	-	-	47,573
Total supporting services	998,606	-	-	998,606
Total expenses	12,726,270	-	-	12,726,270
Change in net assets	268,000	5,782,203	217,434	6,267,637
Net assets, beginning	1,030,983	17,527,859	12,559,612	31,118,454
Net assets, ending	$ 1,298,983	$ 23,310,062	$ 12,777,046	$ 37,386,091

See notes to financial statements.

Business Leadership Organized for Catholic Schools

Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services	Supporting Services			
	Program Expenses	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total Expenses
Scholarships	$ 14,583,264	$ -	$ -	$ -	$ 14,583,264
Grants to schools - Urban Endowment	598,965	-	-	-	598,965
Grant to school - other	280,000	-	-	-	280,000
Salaries, payroll taxes and employee benefits	321,386	174,385	387,862	-	883,633
Other program expenses	-	47,481	-	-	47,481
Events	-	-	92,604	54,213	146,817
Professional fees	3,270	66,077	1,620	-	70,967
Public relations and marketing	-	-	37,290	-	37,290
Other operating expenses	8,233	57,451	16,605	-	82,289
Rent and utility	11,654	11,656	11,654	-	34,964
Insurance	-	20,623	-	-	20,623
Annual appeal	-	-	2,474	-	2,474
Depreciation	4,430	4,431	4,430	-	13,291
	$ 15,811,202	$ 382,104	$ 554,539	$ 54,213	$ 16,802,058

See notes to financial statements.

Business Leadership Organized for Catholic Schools

Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services	Supporting Services			
	Program Expenses	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total Expenses
Scholarships	$ 10,743,725	$ -	$ -	$ -	$ 10,743,725
Grants to schools	633,485	-	-	-	633,485
Salaries, payroll taxes and employee benefits	322,344	190,050	384,061	-	896,455
Other program expenses	-	12,865	-	-	12,865
Events	-	-	21,664	47,573	69,237
Professional fees	4,367	114,548	-	-	118,915
Public relations and marketing	-	-	96,971	-	96,971
Other operating expenses	11,444	56,118	22,679	-	90,241
Rent and utility	8,877	8,877	8,877	-	26,631
Insurance	-	24,510	-	-	24,510
Annual appeal	-	-	2,970	-	2,970
Depreciation	3,422	3,422	3,421	-	10,265
	$ 11,727,664	$ 410,390	$ 540,643	$ 47,573	$ 12,726,270

See notes to financial statements.

Business Leadership Organized for Catholic Schools

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ (3,499,262)**	$ 6,267,637
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	**13,291**	10,265
Change in present value on contributions receivable	**-**	(13,571)
Net realized and unrealized losses on investments	**876,682**	1,100,340
Contributions restricted for endowment	**(14,334)**	(217,434)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivables	**20,250**	(178,215)
Other current assets	**(58,254)**	3,343
Increase (decrease) in liabilities:		
Accounts payable	**433,859**	37,716
Accrued grants payable - endowment	**(34,520)**	78,576
Net cash provided by (used in) operating activities	**(2,262,288)**	7,088,657
Cash flows from investing activities:		
Purchase of equipment and leasehold improvements	**(500)**	(41,726)
Decrease in mortgage receivable	**147,503**	151,035
Proceeds from the sale of investments	**6,175,396**	5,670,118
Purchase of investments	**(2,277,840)**	(8,484,042)
Net cash provided by (used in) investing activities	**4,044,559**	(2,704,615)
Cash flows from financing activities:		
Endowment contributions	**82,334**	391,391
Net cash provided by financing activities	**82,334**	391,391
Net increase in cash and cash equivalents	**1,864,605**	4,775,433
Cash and cash equivalents, beginning	**11,197,061**	6,421,628
Cash and cash equivalents, ending	**$ 13,061,666**	$ 11,197,061

See notes to financial statements.

Note 1. Nature of Activities and Summary of 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 (GAAP).

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

Basis of presentation: BLOCS follows the authoritative guidance for external financial reporting by not-for-profit organizations promulgated by the Financial Accounting Standards Board (FASB) which requires that unconditional promises to give (contributions) be recorded as receivables and revenue and requires BLOCS to distinguish between contributions received for each net asset classification in accordance with donor imposed restrictions. The authoritative guidance also establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset classifications according to externally (donor) imposed restrictions.

A description of the net asset classifications follows:

Unrestricted net assets include assets that are available for the support of operations and whose use is not externally restricted by donors.

Temporarily restricted net assets include gifts and accumulated earnings for which donor imposed restrictions, primarily passage of time or occurrence of a specific event, have not been met.

Permanently restricted net assets include gifts, trusts, and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

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

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges which are to be paid in future periods and contributions restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support, which increase those net asset classifications. When a donor restriction expires, that is, when a time restriction ends or stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be received within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their expected future cash flows, which approximates fair value. The discount rate has been computed using a risk-adjusted rate that approximates the rate of return expected to be earned over the period which the contributions will be received by BLOCS. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included in contribution revenue until the conditions are substantially met.

Cash and cash equivalents: For the purposes of the statement of cash flows, cash and cash equivalents include cash, interest-bearing deposits, money fund, money market and negotiable certificates of deposit with original maturities of three months or less.

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. Interest, dividends, realized and unrealized gains and losses are reported in investment income under public support and revenue in the statement of activities. Investment returns on donor-restricted endowment funds are recorded to temporarily restricted net assets. Management fees on investments are recorded as investment fee expense.

BLOCS records its investments under FASB's Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, 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 6).

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 (3) to five (5) years.

Functional allocation of expenses: The costs of providing BLOCS' program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 benefit the donor rather than BLOCS, is recorded as costs of direct benefits to donors expense.

Advertising: BLOCS expenses advertising as incurred. Advertising expense was $11,965 and $47,558 for the years ended June 30, 2016 and 2015, respectively.

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

Scholarships: BLOCS awards scholarships to students 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 approved by the Board of Directors and communicated to grantees. Payments of scholarship awards are typically made to the schools at the same time or shortly thereafter.

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 and conditions of UEI agreements with each school.

Income taxes: BLOCS is a not-for-profit 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, 2016 and 2015.

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 2013.

Recently issued accounting pronouncement not yet adopted: In January 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 includes a number of amendments that address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. One of the amendments eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The amendments in this update are effective for BLOCS for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. BLOCS has not yet determined the effect on the financial statements of adopting the amendments included in ASU 2016-01.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. The ASU is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The impact of adopting this ASU on BLOCS' financial statements for subsequent periods has not yet been determined.

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

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*, which amends the requirements for financial statements and footnotes. Key elements of this amendment include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. The impact of adopting this ASU on BLOCS' financial statements for subsequent periods has not yet been determined.

Note 2. Contributions Receivable

Contributions receivable consist of pledges made to the BLOCS Urban Endowment Initiative (Endowment Fund). The Endowment Fund supports various Catholic Schools in the Archdiocese of Philadelphia. Contributions receivable at June 30, 2016 and 2015, consist of amounts expected to be collected as follows:

	2016	2015
Due in less than one year	$ 89,000	$ 164,250
Due in one to five years	62,500	75,500
Total contributions receivable	151,500	239,750
Allowance for doubtful accounts	(140,000)	(140,000)
Unamortized discount	(1,934)	(1,934)
Net contributions receivable	$ 9,566	$ 97,816

All contributions receivable are reviewed by management and evaluated for collectability when the promise is made. Contributions receivable are written off when they are determined to be uncollectible based upon management's assessment.

Note 3. Mortgage Receivable

On May 5, 2010, BLOCS loaned $2,800,000 to a Limited Partnership (the Limited Partnership) subject to the terms and conditions of the Loan and Security Agreement for the purpose of financing the development, construction and leasing of a property located in Philadelphia, Pennsylvania. The loan was funded with amounts from the Endowment Fund in the amount of $1,200,000, a loan payable of $1,400,000, and a $200,000 amount due to the Limited Partnership (Note 8). The loan receivable is secured by the mortgaged property and guaranteed by two board members up to loan principal of $1,800,000, plus accrued and unpaid interest in accordance with terms and conditions set forth under the Guaranty and Suretyship Agreement. The interest rate on the mortgage receivable is 8.50% and the mortgage receivable is being amortized over 15 years.

The mortgage receivable is due as follows at June 30, 2016 and 2015:

	2016	2015
Due in less than one year	$ 160,540	$ 147,503
Due in one to five years	797,173	732,433
Due in six to ten years	1,118,646	1,343,926
Total mortgage receivable	$ 2,076,359	$ 2,223,862

Note 4. Restricted Cash

The restricted cash consists of amount held for tenant improvements and leasing commissions in accordance with the Loan and Security Agreement (Note 3). The funds are maintained in a non-interest bearing account and will be released to the Limited Partnership upon execution of a lease agreement for the Limited Partnership's property. The corresponding liability is recorded as amount due to the limited partnership in the statement of financial position (Note 8).

Note 5. Investments

BLOCS values its investments at fair value. The cost and fair value of the investments are as follows at June 30, 2016 and 2015:

	2016		
	Cost Basis	Fair Value	Unrealized Gain (Loss)
Exchange traded securities	$ 5,038,389	$ 5,804,034	$ 765,645
Negotiable certificates of deposit	2,205,000	2,205,113	113
Mutual funds	12,538,579	12,546,949	8,370
Investments, end of year	$ 19,781,968	$ 20,556,096	774,128
Less: cumulative unrealized gain as of July 1, 2015			1,542,760
Unrealized loss for year ended June 30, 2016			$ (768,632)

	2015		
	Cost Basis	Fair Value	Unrealized Gain (Loss)
Exchange traded securities	$ 3,278,943	$ 4,055,668	$ 776,725
Negotiable certificates of deposit	6,374,000	6,377,352	3,352
Mutual funds	14,195,946	14,958,629	762,683
Investments, end of year	$ 23,848,889	$ 25,391,649	1,542,760
Less: cumulative unrealized gain as of July 1, 2014			3,216,809
Unrealized loss for year ended June 30, 2015			$ (1,674,049)

Investments at fair value at June 30, 2016 and 2015 consist of the following:

	2016	2015
Short-term investments	$ 2,205,113	$ 1,719,155
Investments	17,536,437	22,796,633
Investments under agreement with Urban Endowment school (Note 13)	814,546	875,861
	$ 20,556,096	$ 25,391,649

Note 5. Investments (continued)

Investment (loss) for the years ended June 30, 2016 and 2015 is comprised of the following:

	2016	2015
Interest and dividends, net of expense	$ 537,244	$ 1,035,881
Net unrealized losses on investments	(768,632)	(1,674,049)
Net realized gains (losses) on investments	(108,050)	573,709
	(339,438)	(64,459)
Less: pass-through for Urban Endowment school	14,551	3,391
Total investment (loss)	$ (324,887)	$ (61,068)

BLOCS incurred investment fees totaling $68,740 and $72,153 for the years ended June 30, 2016 and 2015, respectively.

Note 6. Fair Value Measurements

BLOCS measures its investments at fair value on a recurring basis in accordance with 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 methodologies used for instruments measured at fair value at June 30, 2016 and 2015.

Money fund, mutual funds and exchange traded securities: 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).

Note 6. Fair Value Measurements (Continued)

Negotiable certificates of deposit: The fair value of these instruments is valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities. Therefore, these assets are classified as Level 2.

The tables below present the balance of assets measured at fair value at June 30, 2016 and 2015 on a recurring basis.

	2016			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Money fund (cash equivalent)	$ 4,384,394	$ -	$ -	$ 4,384,394
Exchange traded funds:				
Home construction	1,110,977	-	-	1,110,977
Power Shares	573,869	-	-	573,869
Oil & Gas	900,604	-	-	900,604
S & P 500	3,218,583	-	-	3,218,583
Negotiable certificates of deposit:				
Short term	-	2,205,113	-	2,205,113
Mutual funds:				
Small cap growth	557,966	-	-	557,966
Small value	634,691	-	-	634,691
Mid cap growth	856,077	-	-	856,077
International fund	1,073,203	-	-	1,073,203
Large cap growth	732,144	-	-	732,144
Large value	751,582	-	-	751,582
Short term bond	1,434,475	-	-	1,434,475
Intermediate term bond	3,443,136	-	-	3,443,136
Foreign small/mid growth	1,220,053	-	-	1,220,053
Foreign large blend	823,699	-	-	823,699
Diversified Pacific/Asia	1,019,924	-	-	1,019,924
Total	$ 22,735,377	$ 2,205,113	$ -	$ 24,940,490

Note 6. Fair Value Measurements (Continued)

	2015			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Money fund (cash equivalent)	$ 10,034,507	$ -	$ -	$ 10,034,507
Exchange traded funds:				
Home construction	1,102,941	-	-	1,102,941
S & P 500	2,952,727	-	-	2,952,727
Negotiable certificates of deposit:				
Short term	-	1,719,155	-	1,719,155
Long term	-	4,658,197	-	4,658,197
Mutual funds:				
Small cap growth	528,066	-	-	528,066
Small value	726,567	-	-	726,567
Mid cap growth	1,030,661	-	-	1,030,661
International fund	1,002,475	-	-	1,002,475
Large cap growth	1,911,093	-	-	1,911,093
Large value	338,104	-	-	338,104
Focus credit fund	1,424,030	-	-	1,424,030
Short term bond	1,419,824	-	-	1,419,824
Intermediate term bond	2,145,029	-	-	2,145,029
Foreign small/mid growth	1,597,785	-	-	1,597,785
Foreign large blend	948,741	-	-	948,741
Asia growth	387,923	-	-	387,923
Diversified Pacific/Asia	665,169	-	-	665,169
Technology	833,162	-	-	833,162
Total	$ 29,048,804	$ 6,377,352	$ -	$ 35,426,156

At June 30, 2016 and 2015, 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 7. Employee Retirement Plan

On September 18, 2013, BLOCS sponsored a SIMPLE IRA defined contribution retirement plan that provides for employer matching contributions of 3% of the employee’s compensation. Effective January 1, 2016, BLOCS terminated sponsorship of the SIMPLE IRA defined contribution retirement plan and entered into a 401(k) plan which provides for a 4% match of the employee compensation. BLOCS contributed $22,712 and $14,575 to the plans for the years ended June 30, 2016 and 2015, respectively.

Note 8. Due to the Limited Partnership

Due to the Limited Partnership consists of an amount held back from the amount loaned to the Limited Partnership and placed into escrow to fund tenant improvements and leasing commissions in accordance with the Loan and Security Agreement. The funds will be released to the Limited Partnership upon execution of a lease agreement for the Limited Partnership’s property (Notes 3 and 4).

Note 9. Commitments and Contingencies

Concentrations: BLOCS' cash and cash equivalents are comprised of amounts in accounts at various financial institutions. While the amounts at times exceed the amount guaranteed by the Federal Deposit and Insurance Company (FDIC) and, therefore, bear some risk, BLOCS has not experienced, nor does it anticipate, any loss of funds.

BLOCS owns various investments, including exchange traded securities and 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.

BLOCS' contributions receivable are unsecured and are at risk to the extent such amounts become uncollectible. Management carefully monitors its donor relationships in order to minimize credit risk and maintains a reserve for potential collection losses.

Approximately 13% of BLOCS' public support and revenue for the year ended June 30, 2016 was from two BLOCS Scholarship LLCs (Note 10). Approximately 24% of BLOCS' public support and revenue for the year ended June 30, 2015 was from one corporate donor.

Operating leases: In September 2013, BLOCS entered into a two-year, non-cancelable operating lease for office space, which was scheduled to expire in August 2015. In November 2014, BLOCS extended the lease for an additional two years, expiring in August 2017. In November 2016, the lease was further extended for an additional year, expiring in August 2018.

BLOCS has various three-year non-cancelable leases for computers and office equipment, expiring at various dates through February 2018.

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

Years ending June 30:	
2017	$ 30,205
2018	28,358
2019	4,522
	$ 63,085

Guarantees: On August 20, 2013, St. Raymond of Penafort School, LLC obtained a three-year, $110,000 loan which bears interest at a rate of 4%. The loan requires 35 monthly interest-only payments starting in October 2013, principal-only payments of $27,500 on September 1, 2014 and 2015, and a final principal and interest payment of $55,189 on September 1, 2016. This loan was obtained in order to complete necessary capital improvements to the school. BLOCS acted as guarantor for the loan outstanding to St. Raymond of Penafort School, LLC. In November 2016, the loan was paid in full by the borrower, and BLOCS no longer has a guarantee obligation.

On October 23, 2013, Holy Cross School, LLC obtained a three-year, $45,000 loan which bears interest at a rate of 4% and requires principal payments of $11,250 on November 8, 2014 and November 2, 2015, and a final principal payment of $22,500 on November 1, 2016. This loan was obtained in order to complete necessary capital improvements to the school. BLOCS acted as guarantor for the loan outstanding to Holy Cross School, LLC. In November 2016, the loan was paid in full by the borrower, and BLOCS no longer has a guarantee obligation.

Note 9. Commitments and Contingencies (Continued)

Tax filing: BLOCS is subject to penalties that could be assessed by the Internal Revenue Service (IRS) for late filing of certain federal tax returns. Should penalties be assessed by the IRS, BLOCS intends to file a request for abatement of the penalties. BLOCS has not recorded any accrual for the penalties as of June 30, 2016 and 2015. BLOCS' management does not believe the resolution of this matter will have a significant impact on BLOCS' activities or financial position.

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.

Note 10. Related Party Transactions

For the years ended June 30, 2016 and 2015, respectively, BLOCS recorded $309,846 and $348,624 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. At June 30, 2016 and 2015, BLOCS had $10,000 of pledges receivable from representatives who are members of BLOCS governing board.

For the years ended June 30, 2016 and 2015, respectively, BLOCS recorded $4,448,368 and $3,070,950 in scholarship awards and school grants to the Independence Mission Schools, which has two representatives that serve on the governing board of that organization and BLOCS.

On April 8, 2015 and June 24, 2015, BLOCS Scholarship #1 LLC (#1 LLC) and BLOCS Scholarship #2 LLC (#2 LLC), respectively, were formed for the purpose of affording to members the opportunity to make contributions to EITC and OSTC. Also, 14 additional entities, from Scholarship #3 LLC through Scholarship #16 LLC (collectively, LLCs) were formed during the year ended June 30, 2016. The LLCs are inactive until tax credits are awarded under the EITC and OSTC programs. After the members make capital contributions to the LLCs, the 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. Capital contributions of $1,663,167 and $-0- were made by members to the #1 LLC and #2 LLC during the years ended June 30, 2016 and 2015, respectively, and correspondingly, the same amount was contributed by the #1 LLC and #2 LLC to BLOCS during the years ended June 30, 2016 and 2015.

BLOCS serves as the manager of the 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 11. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 and 2015 are available for the following purposes:

	2016	2015
EITC/OSTC funds	$ 10,622,847	$ 13,932,844
Emergency scholarships	7,027,338	7,171,200
Student Appeal	54,404	66,450
Emergency Scholarship Endowment Fund	165,614	185,265
Urban Endowment Initiatives	1,318,731	1,954,303
	$ 19,188,934	$ 23,310,062

Net assets released from donors' restrictions during the years ended June 30, 2016 and 2015 are summarized as follows:

	2016	2015
EITC/OSTC Funds	$ 14,461,979	$ 10,455,525
Emergency scholarships	25,705	183,695
Student Appeal	12,046	-
Emergency Scholarship Endowment Fund	2,000	46,255
Urban Endowment Initiatives	598,965	633,485
	$ 15,100,695	$ 11,318,960

Note 12. Permanently Restricted Net Assets

Permanently restricted net assets result from contributions whose use by BLOCS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of BLOCS. Permanently restricted net assets consist of two endowment funds (Note 13) whose donors have stipulated, as a condition of the gift that the principal is to be maintained and invested for perpetuity as prescribed by the donor. Permanently restricted net assets were $12,791,380 and $12,777,046 as of June 30, 2016 and 2015, respectively.

Note 13. 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 semi-annually during the following year. There are no board-designated endowments at June 30, 2016 and 2015.

Interpretation of relevant law: The Commonwealth of Pennsylvania has not adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA). State law allows non-profit 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.

Note 13. Endowment (Continued)

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

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the historic dollar value. Deficiencies of this nature are reported by a change to unrestricted net assets and a corresponding increase to temporarily restricted net assets. These deficiencies resulted from unfavorable market fluctuations and distributions in accordance with the spending policy. Over time these may reverse due to the appreciation of the underlying investments. There were no such deficiencies as of June 30, 2016 and 2015.

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 fair market value as of April 30 of the previous fiscal year to be paid semi-annually to the participant schools based on the proportion of each school's permanent endowment to the total permanent endowment.

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

The appropriation from the temporarily restricted portion of the endowment totaled $600,965 and $679,740 for the years ended June 30, 2016 and 2015, respectively, of which $598,965 and $633,485 was payable at June 30, 2016 and 2015, respectively, and was disbursed during the subsequent fiscal year.

Note 13. Endowment (Continued)

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 not classified in permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

Endowment net assets composition by type of fund as of June 30, 2016:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets	$ -	$ 1,484,345	$ 12,791,380	$ 14,275,725

Changes in the endowment net assets for the fiscal years ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	$ -	$ 2,139,568	$ 12,777,046	$ 14,916,614
Investment return:				
Dividend and interest income	-	393,232	-	393,232
Net loss (realized and unrealized)	-	(630,860)	-	(630,860)
Mortgage interest	-	183,370	-	183,370
Total investment return	-	(54,258)	-	(54,258)
Contributions	-	-	14,334	14,334
Appropriation of endowment assets for expenditure	-	(600,965)	-	(600,965)
Endowment net assets, June 30, 2016	$ -	$ 1,484,345	$ 12,791,380	$ 14,275,725

Note 13. Endowment (Continued)

Endowment net assets composition by type of fund as of June 30, 2015:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets	$ -	$ 2,139,568	$ 12,777,046	$ 14,916,614

Changes in the endowment net assets for the fiscal years ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ -	$ 2,673,914	$ 12,559,612	$ 15,233,526
Investment return:				
Dividend and interest income	-	734,716	-	734,716
Net loss (realized and unrealized)	-	(784,911)	-	(784,911)
Mortgage interest	-	195,589	-	195,589
Total investment return	-	145,394	-	145,394
Contributions	-	-	217,434	217,434
Appropriation of endowment assets for expenditure	-	(679,740)	-	(679,740)
Endowment net assets, June 30, 2015	$ -	$ 2,139,568	$ 12,777,046	$ 14,916,614

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. BLOCS has recorded $814,546 and $875,861 as investments under Agreement with Urban Endowment school and liability under Agreement with Urban Endowment school as of June 30, 2016 and 2015, respectively. The liability includes $750,000 of contributions and $64,546 and $125,861, respectively, of cumulative allocated investment income, net of distributions. During the years ended June 30, 2016 and 2015, the liability was reduced by the payment to the school of $46,764 and $38,673, respectively, as well as net investment loss of $14,551 and $3,391, respectively, which has been accounted for as pass-through transactions and, therefore, are not reflected in the accompanying statements of activities.

Note 14. Subsequent Events

BLOCS evaluated subsequent events (events occurring after June 30, 2016) through March 30, 2017, the date the financial statements were available to be issued and noted the following:

During November 2016, two school loans that were guaranteed by BLOCS, were paid in full by schools. See Note 9.