

Board of Directors, Finance, Audit and
Compensation Committee and Management
Christel House International, Inc. and Affiliates
Indianapolis, Indiana

As part of our audit of the combined and consolidated financial statements of Christel House International, Inc. (CHI) and Affiliates (collectively known as “Christel House”) as of and for the year ended December 31, 2018, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor’s Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the combined and consolidated financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the combined and consolidated financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the combined and consolidated financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

Christel House’s significant accounting policies are described in Note 1 of the audited combined and consolidated financial statements. Christel House appropriately adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Fair value of investments
- Estimated useful lives of property and equipment and rental property
- Allocation of functional expenses

Combined and Consolidated Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Fair value disclosure
- Principles of combination and consolidation
- Related parties

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the combined and consolidated financial statements from being materially misstated. We did not propose any adjustments as a result of our audit.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Christel House's application of accounting principles:

- No matters are reportable

Other Material Written Communications

The only other material written communication between management and us related to the audit is the management representation letter, a copy of which is attached.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the combined and consolidated financial statements of Christel House as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Christel House's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined and consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of Christel House's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Christel House's combined and consolidated financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. Material weaknesses may exist that have not been identified.

FUTURE ACCOUNTING CONSIDERATIONS AND OTHER MATTERS

Changes to the Statement of Cash Flows (December 31, 2019)

Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* clarifies the presentation and disclosure requirements of restricted cash. The ASU requires entities to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling beginning-of-period and end-of-period total cash in the statement of cash flows. The amendments apply to all entities with restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230, including not-for-profit (NFP) entities. The ASU requires disclosure of information about the nature of restrictions on cash, cash equivalents and restricted cash balances. The ASU is effective for fiscal years beginning after December 15, 2018.

Changes to the Method of Accounting for Leases Under U.S. Generally Accepted Accounting Principles (GAAP) (December 31, 2020)

On February 25, 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, the new standard on lease accounting.

Under the new ASU, lessees will recognize lease assets and liabilities on their statement of financial position for all leases with terms of more than 12 months. The new lessee accounting model retains two types of leases, and is consistent with the lessee accounting model under existing GAAP. One type of lease (finance leases) will be accounted for in substantially the same manner as capital leases are accounted for today. The other type of lease (operating leases) will be accounted for (both in the income statement and statement of cash flows) in a manner consistent with today's operating leases. Lessor accounting under the new standard is fundamentally consistent with existing GAAP. Lessees and lessors would be required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing, and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the combined and consolidated financial statements so that users can understand more about the nature of Christel House's leasing activities.

For public business entities, the final lease standard will be effective for fiscal years beginning after December 15, 2018 including interim periods within those fiscal years. For all other entities, the final leases standard is currently scheduled to be effective for fiscal years beginning after December 15, 2019 (Christel House's December 31, 2020 financial statements). However, FASB made a tentative board decision to delay implementation to fiscal years beginning after December 15, 2020 (Christel House's December 31, 2021 financial statements). Issuance of a final ASU related to this decision is expected later in 2019. Early application is permitted.

Complying with the European Union (EU) General Data Protection Regulations (GDPR)

The EU General Data Protection Regulation, or GDPR, went into effect on May 25, 2018. It was designed to harmonize current European Union personal data privacy protection laws and reshape the way organizations approach data privacy.

United States organizations that create, process, store, or transmit personal data (including Personal Identifiable Information) belonging to a EU citizen or resident, must be in compliance with GDPR, or face penalties of up to 20 million Euros or 4 percent of their total worldwide annual revenue.

Institutions that wish to comply with GDPR should consider creating a cross-functional team to focus on the following steps:

1. **Discovery/Process Mapping** - Take steps to identify the personal data they hold, where it is stored, who the data is shared with and what controls govern its use. In addition, institutions need to map the data to in-scope business processes.
2. **Data Protection Impact Assessment (DPIA)** - Identify and assess the level of risk of current and new systems on individuals' privacy rights and privileges.
3. **Compliance Remediation** - Develop a plan to mitigate risks, identify technology and processes to implement "Privacy by Design" and ensure timely breach response. Since GDPR now requires that individuals be notified within 72 hours after discovering a breach, providers must make sure that robust incident response plans are in place.

This communication is intended solely for the information and use of management, the Board of Directors; the Audit, Finance and Compensation Committee and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

October 2, 2019