

Christel House International, Inc. and Affiliates

Independent Auditor's Report and Combined
and Consolidated Financial Statements

December 31, 2017 and 2016

Christel House International, Inc. and Affiliates

December 31, 2017 and 2016

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Independent Auditor's Report on Combined and Consolidated Financial Statements and Supplementary Information

Board of Directors
Christel House International, Inc. and Affiliates
Indianapolis, Indiana

We have audited the accompanying combined and consolidated financial statements of Christel House International, Inc. and Affiliates, which comprise the combined and consolidated statements of financial position as of December 31, 2017 and 2016, and the related combined and consolidated statements of activities and cash flows for the years then ended, and the related notes to the combined and consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined and consolidated 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 combined and consolidated 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 combined and consolidated 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 combined and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined and consolidated 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 combined and consolidated 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 combined and consolidated 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 combined and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Christel House International, Inc. and Affiliates as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined and consolidated financial statements as a whole. The combined and consolidated information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined and consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined and consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined and consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined and consolidated financial statements or to the combined and consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined and consolidated financial statements as a whole.

BKD, LLP

Indianapolis, Indiana
October 10, 2018

Christel House International, Inc. and Affiliates
Combined and Consolidated Statements of Financial Position
December 31, 2017 and 2016
(Amounts in Thousands)

	2017	2016
Assets		
Cash and cash equivalents		
Unrestricted	\$ 5,431	\$ 5,752
Temporarily restricted	651	336
Permanently restricted	-	35
Total cash and cash equivalents	6,082	6,123
Investments		
Unrestricted	6,030	1,227
Temporarily restricted	36,438	31,165
Permanently restricted	345	275
Total investments	42,813	32,667
Accounts receivable	48	193
Contributions receivable		
Temporarily restricted	1,824	2,681
Permanently restricted	70	105
Other assets	318	228
Interest rate swap	137	75
Rental property - Christel House Academy		
Unrestricted	23,434	24,190
Temporarily restricted	222	222
Property and equipment	5,863	6,454
Total Assets	\$ 80,811	\$ 72,938
Liabilities		
Accounts payable	\$ 202	\$ 164
Accrued payroll and other		
Unrestricted	1,373	1,103
Temporarily restricted	14	46
Bonds payable, net of bond issue costs	17,458	18,202
Total Liabilities	19,047	19,515
Net Assets		
Unrestricted	22,228	18,650
Temporarily restricted	39,121	34,358
Permanently restricted	415	415
Total Net Assets	61,764	53,423
Total Liabilities and Net Assets	\$ 80,811	\$ 72,938

Christel House International, Inc. and Affiliates
Combined and Consolidated Statements of Activities
Years Ended December 31, 2017 and 2016
(Amounts in Thousands)

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Gains and Other Support				
Contributions	\$ 1,329	\$ 2,042	\$ -	\$ 3,371
Supporting organization funding	-	7,440	-	7,440
In-kind contributions	557	87	-	644
Special events (net of expenses of \$138 and \$135)	1,068	33	-	1,101
Grant income	646	478	-	1,124
Investment income (net of expenses of \$51 and \$53)	397	27	-	424
Rental income - Christel House Academy	1,957	-	-	1,957
Other	38	-	-	38
	<u>5,992</u>	<u>10,107</u>	<u>-</u>	<u>16,099</u>
Net assets released from restrictions	4,781	(4,781)	-	-
Total Revenue, Gains and Other Support	<u>10,773</u>	<u>5,326</u>	<u>-</u>	<u>16,099</u>
Expenses				
Program services				
Grants	2,034	-	-	2,034
Academics	10,533	-	-	10,533
	<u>12,567</u>	<u>-</u>	<u>-</u>	<u>12,567</u>
Management and general	1,519	-	-	1,519
Fundraising	2,450	-	-	2,450
Total Expenses	<u>16,536</u>	<u>-</u>	<u>-</u>	<u>16,536</u>
Change in Net Assets Before Other Gains and Losses	(5,763)	5,326	-	(437)
Other Gains and Losses				
Gain on sale of property	4,166	-	-	4,166
Write-off of contribution receivable	-	(596)	-	(596)
Realized gain (loss) on investments	2,083	3	-	2,086
Unrealized gain on investments	2,491	30	-	2,521
Unrealized gain on interest rate swap	63	-	-	63
Foreign currency translation adjustment	538	-	-	538
	<u>4,166</u>	<u>(596)</u>	<u>-</u>	<u>3,570</u>
Change in Net Assets	3,578	4,763	-	8,341
Net Assets, Beginning of Year	<u>18,650</u>	<u>34,358</u>	<u>415</u>	<u>53,423</u>
Net Assets, End of Year	<u>\$ 22,228</u>	<u>\$ 39,121</u>	<u>\$ 415</u>	<u>\$ 61,764</u>

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 915	\$ 2,629	\$ 23	\$ 3,567
-	7,000	-	7,000
283	754	-	1,037
815	48	-	863
807	474	-	1,281
304	34	-	338
1,957	-	-	1,957
44	-	-	44
5,125	10,939	23	16,087
9,940	(9,940)	-	-
15,065	999	23	16,087
2,078	-	-	2,078
8,744	-	-	8,744
10,822	-	-	10,822
1,348	-	-	1,348
2,312	-	-	2,312
14,482	-	-	14,482
583	999	23	1,605
5	-	-	5
-	-	-	-
(398)	-	-	(398)
2,028	-	-	2,028
203	-	-	203
(145)	-	-	(145)
2,276	999	23	3,298
16,374	33,359	392	50,125
\$ 18,650	\$ 34,358	\$ 415	\$ 53,423

Christel House International, Inc. and Affiliates
Combined and Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016
(Amounts in Thousands)

	2017	2016
Operating Activities		
Change in net assets	\$ 8,341	\$ 3,298
Items not requiring (providing) cash		
Depreciation	1,484	1,239
Amortization of bond issue costs	8	8
Foreign currency translation adjustment	(538)	145
Realized (gain) loss on investments	(2,086)	398
Unrealized gain on investments	(2,521)	(2,028)
Unrealized gain on interest rate swap	(63)	(203)
Gain on sale of property	(4,166)	-
Changes in		
Accounts receivable	145	162
Contributions receivable	892	581
Other assets	(89)	(62)
Accounts payable	38	(52)
Accrued payroll and other	238	(55)
Net Cash Provided by Operating Activities	1,683	3,431
Investing Activities		
Purchase of investments	(8,602)	(2,122)
Proceeds from sale of investments	3,063	4,089
Proceeds from sale of property and equipment	5,290	-
Purchase of rental property and property and equipment	(830)	(1,975)
Net Cash Used in Investing Activities	(1,079)	(8)
Financing Activity		
Bond principal payments	(752)	(733)
Net Cash Used in Financing Activities	(752)	(733)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	107	(227)
Net Increase (Decrease) in Cash and Cash Equivalents	(41)	2,463
Cash and Cash Equivalents, Beginning of Year	6,123	3,660
Cash and Cash Equivalents, End of Year	\$ 6,082	\$ 6,123
Supplemental Cash Flows Information		
Interest paid	\$ 456	\$ 482

Christel House International, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
December 31, 2017 and 2016
(Amounts in Thousands)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General

Christel House International, Inc. (CHI) and Affiliates (collectively known as “Christel House”) is a not-for-profit organization (501(c)(3)) whose principal activity is to support educational efforts, primarily through grant-making. CHI was established in 1998 and developed learning centers in India, Mexico, South Africa and the United States and currently serves over 4,550 children worldwide. The mission of Christel House is to give impoverished children the tools and training to become self-sufficient, contributing members of society.

Christel House operates nonresidential learning centers for underserved children and provides a holistic approach to child development. The children are enrolled at Christel House learning centers in a formal, structured educational curriculum taught by qualified instructors. The curriculum is designed for mastery of skills in reading, writing and math. The curriculum supplements this core knowledge with classes in English, technology, character and leadership development, life skills, career planning, arts and culture. Medical needs affecting a child’s ability to learn are identified and intervention programs implemented. Outcomes and progress of all programs are monitored for success, with the ultimate goal for each child to become a self-sufficient, productive member of society. Christel House also operates its European fundraising activities through London-based, Christel House Europe.

Parents, family members and other caregivers are also offered education programs to improve parenting and life skills. These programs are designed to reinforce the gains made by the children at Christel House learning centers.

Use of Estimates

The preparation of financial statements 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Principles of Combination and Consolidation

Christel House prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

Christel House International, Inc. and Affiliates

Notes to Combined and Consolidated Financial Statements

December 31, 2017 and 2016

(Amounts in Thousands)

Christel House International, Inc. presents combined and consolidated financial statements that include the financial information of the following affiliated organizations:

- Christel House International, Inc.
- Christel House India
- Christel House de Mexico, A.C.
- Christel House Europe
- Christel House South Africa
- Christel House Jamaica

Christel House India operates learning centers in Bangalore and Naya Raipur, India.

Each of the entities is a separately incorporated not-for-profit organization and is governed by a board of directors within its respective countries. CHI has an economic interest in all of these entities and has control over a majority of these entities, within the meaning of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

In addition, CHI provides management and financial support to Christel House Academy, Inc. (Academy), an affiliated network of charter schools located in Indianapolis, Indiana. The Academy includes Christel House Academy South, Christel House DORS South, Christel House Academy West and Christel House DORS West. The financial information related to the Academy is not consolidated in these financial statements as this organization is not under the control of CHI within the meaning of FASB ASC Topic 958, *Not-For-Profit Entities*.

All material interorganizational accounts and transactions have been eliminated in combination and consolidation.

Cash and Cash Equivalents

Christel House considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017 and 2016, cash equivalents consisted primarily of money market funds.

At December 31, 2017, CHI's cash accounts exceeded federally insured limits by approximately \$3,814. Additionally, at December 31, 2017, funds held outside the United States were \$1,217 and are not insured by the FDIC.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Christel House International, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
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(Amounts in Thousands)

Investment return that is initially restricted by donor stipulation is reported as temporarily restricted return and net assets. When the donor stipulation is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined and consolidated statements of activities as net assets released from restrictions. Other investment return is reflected in the combined and consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line basis or alternative depreciation system over the estimated useful life of assets as follows:

	Years
Buildings	30 - 40
Leasehold improvements	10 - 20
Furniture and equipment	5 - 7
Computer hardware	3 - 5

Long-Lived Asset Impairment

Christel House evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2017 and 2016.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by Christel House has been limited by donors to a specific time period or purpose. Temporarily restricted net assets at December 31, 2017 and 2016 include \$35,654 and \$30,429, respectively, donated by Christel DeHaan, CHI's Founder, President and Chief Executive Officer. This balance is restricted for payment of future general and administrative expenses, including fundraising expenses, of Christel House. In addition, this balance may be used to fund future operating shortfalls of Christel House.

Christel House International, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
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(Amounts in Thousands)

Permanently Restricted Net Assets

Permanently restricted net assets are those whose use by Christel House has been limited by donors for perpetuity.

Contributions

Revenues and other support are derived principally from contributions and income from special events.

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily restricted or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined and consolidated statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

In-Kind Contributions

In addition to receiving cash contributions, Christel House receives in-kind contributions of goods from various donors. It is the policy of Christel House to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. Christel House India (Naya Raipur) receives use of land and facilities as part of a below market, long-term lease arrangement. The value of which is not reflected in the combined and consolidated financial statements due to immateriality.

Grant Making

Unconditional grants to support learning centers are recognized as expenses in the period approved.

Christel House International, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
December 31, 2017 and 2016
(Amounts in Thousands)

Foreign Currency Translation

Christel House considers US Dollars its functional currency as a substantial portion of Christel House's business activities are based in US Dollars. Transactions involving foreign currencies are translated at the approximate rates of exchange existing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the year-end are retranslated at the approximate rates of exchange at that date. Gains and losses relating to foreign currency translations are recorded in the combined and consolidated statements of activities as a component of the change in net assets. The combined and consolidated financial statements include foreign affiliates. Their assets and liabilities are translated into US Dollars at the exchange rate in effect at the statements of financial position date. Revenues and expenses are translated at the average exchange rate during the year.

Income Taxes

Christel House International, Inc., a public charity, is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. Christel House de Mexico, A.C., Christel House Europe, Christel House South Africa, and Christel House India are also tax-exempt entities. For Christel House International, Inc., the tax years still subject to examination by taxing authorities in the United States are years subsequent to 2013.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the combined and consolidated statements of activities. Certain costs have been allocated among the grants, academic programs and other program services, management and general, and fundraising categories based upon actual expenditures and cost allocations estimated by Christel House personnel.

Subsequent Events

Subsequent events have been evaluated through October 10, 2018, which is the date the combined and consolidated financial statements were available to be issued.

On June 20, 2017, Christel House Jamaica Limited ("CHJ") was incorporated with the purpose of constructing and operating a Christel House learning center near Spanish Town, Jamaica. Subsequently, CHJ entered into a Memorandum of Understanding and Agreement ("MOUA") with the Ministry of Education on behalf of the government of Jamaica. Under the MOUA, CHJ entered into a 99-year lease, signed on June 21, 2018, on approximately 10.4 acres of land on which CHJ will construct and operate the learning center. The annual lease cost is de minimis. Christel House Jamaica is planned to open for operations in September 2019. During 2017, \$42 of startup costs were incurred by CHI.

Christel House International, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
December 31, 2017 and 2016
(Amounts in Thousands)

Note 2: Investments and Investment Return

Investments are as follows:

	2017	2016
Certificates and investment cash	\$ 7,197	\$ 1,938
Commodities	236	209
Equities		
North America	9,922	9,697
International	3,604	2,276
Government agencies		
North America	619	719
Corporate obligations	311	297
Municipal obligations	352	354
Alternative investments	20,572	17,177
	<u>\$ 42,813</u>	<u>\$ 32,667</u>

The following schedule summarizes the investment return and its classification in the combined and consolidated statements of activities.

	2017	2016
Investment income (net of expenses of \$51 and \$53)	\$ 424	\$ 338
Net realized gains (losses)	2,086	(398)
Net unrealized gains	2,521	2,028
	<u>\$ 5,031</u>	<u>\$ 1,968</u>
Total return on investments	<u>\$ 5,031</u>	<u>\$ 1,968</u>

Christel House International, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
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Alternative Investments

Alternative investments held at December 31, 2017 and 2016 consist of the following:

	2017		
	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
International equity long/short hedge funds (A)	\$ 1,429	Monthly	30 days
Hedge funds of funds (B)	7,701	Quarterly	45 days
Multi-asset fund (C)	82	Daily	None required
Emerging markets (D)	1,727	Monthly	30 days
International commodities (E)	23	Monthly	35 days
Limited partnerships (F)	5,182	Not eligible	N/A
U.S. real estate (G)	1,429	Not eligible	N/A
Master limited partnership (H)	102	Quarterly	30 days
Real estate core property trust (CPT) (I)	598	Quarterly	45 days
Absolute return hedge fund of funds (J)	2,222	Semi-annual	100 days
High yield debt (K)	77	Quarterly	45 days
Total alternative investments	<u>\$ 20,572</u>		

	2016		
	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
International equity long/short hedge funds (A)	\$ 1,260	Monthly	30 days
Hedge funds of funds (B)	6,816	Quarterly	45 days
Multi-asset fund (C)	122	Daily	None required
Emerging markets (D)	1,419	Monthly	30 days
International commodities (E)	470	Monthly	30 days
Limited partnerships (F)	2,858	Not eligible	N/A
U.S. real estate (G)	710	Not eligible	N/A
Master limited partnership (H)	114	Quarterly	30 days
Real estate core property trust (CPT) (I)	554	Quarterly	45 days
Absolute return hedge fund of funds (J)	2,138	Semi-annual	100 days
High yield debt (K)	716	Quarterly	45 days
Total alternative investments	<u>\$ 17,177</u>		

Christel House International, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
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(Amounts in Thousands)

Unfunded commitments totaled approximately \$9,679 and \$8,696 at December 31, 2017 and 2016, respectively.

- (A) This category includes investments in hedge funds that take both long and short positions, invested in securities traded on domestic and foreign exchanges and over-the-counter as well as securities for which there is no public market. The fair values of the investments in this category have been estimated using the net asset values per share as reported by the fund administrator.
- (B) This category includes Fund of Funds where each Investment Fund will utilize aggressive investment strategies including, without limitation, the use of both long and short positions, leverage (including margin borrowing and securities borrowing), variable levels of net exposure, investments in illiquid private placements that are not readily marketable, and long and short positions in exchange-traded and over-the-counter derivative instruments including but not limited to futures, swaps, options, forward and other instruments on equities, commodities, bonds, interest rates, credits, other fixed income, currencies, indices and other baskets of securities). Each Investment Fund may further establish long or short positions in exchange traded funds, special purpose vehicles, physical commodities, convertible and non-convertible preferred and other debt securities, mortgage-backed and asset backed securities, cash equivalent investments and other types of securities and financial instruments.
- (C) The portfolio seeks to preserve capital, maintain liquidity and generate current income by investing primarily in money market instruments issued by, or guaranteed by, the U.S. Government and related purchase agreements.
- (D) This category includes investments in high quality emerging market companies that are anticipated to deliver long-term earnings growth. In addition, certain funds seek to diversify exposure to emerging market local currency debt asset class by reasonable participation in up markets while protecting assets in down markets. The investments seek to incorporate a risk management approach, which emphasizes responsible investment in emerging markets. The fair values of the investments in this category have been estimated using Christel House's ownership interest in partners' capital as reported by the fund administrators.
- (E) This category includes investments in global companies expected to exceed expectations based upon improvements in key business drivers and investments in liquid and illiquid commodity markets focused on the energy (including infrastructure), metals and agriculture markets. The fair values of the investments in this category have been estimated either by using Christel House's ownership interest in partners' capital as reported by the fund administrator or using the net asset values per share as reported by the fund administrator.

Christel House International, Inc. and Affiliates
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- (F) This category seeks to provide investors with long-term compound annual returns in excess of those generally available in the public equity market by investing in funds which are expected to generate top-quartile performance. The funds focus on primary and secondary opportunities in U.S. buyout funds, venture capital funds, Non-U.S. buyout funds, energy funds and bridge loan funds. Distributions from each fund will be made as the underlying investments of the funds are liquidated. These funds typically have a life of 10 to 12 years, at which time they will begin to be liquidated. The fair values of the investments in this category have been estimated using Christel House's ownership interest in partners' capital as reported by the fund administrators.
- (G) This category seeks to invest primarily in short-term bridge loans with maturities ranging from 12 to 36 months and fixed interest rates between 8% and 12%. Loans are secured by a broad range of real estate assets located in the United States. Distributions from each fund will be made as the underlying investments of the funds are liquidated. These funds typically have a life of four years, at which time they will begin to be liquidated. The fair values of the investments in this category have been estimated using Christel House's ownership interest in partners' capital as reported by the fund administrators.
- (H) This category invests in a private investment partnership established to invest primarily in master limited partnerships ("MLPs") and other securities. The investment objective is to produce an attractive rate of return from both capital appreciation and income through investments in limited partnership units of MLPs and other securities providing the opportunity to achieve such objective. The fund aims to achieve an attractive total rate of return on invested capital, while passing the tax benefits of the underlying investments through to the investors in the Fund.
- (I) This category is a diversified open-end real estate fund with a primary investment in four main property types (office, industrial, retail and multi-family) in top-tier U.S. markets. The fund seeks to provide stable income, preservation of capital and modest appreciation over the long-term.
- (J) This category includes investments which provide exposure to a diverse array of absolute return-oriented strategies. The underlying funds include but are not limited to capital structure arbitrage, event driven, fixed income and long/short equity and, from time to time, directly investing in a range of derivatives as well as selling and purchasing securities for hedging or investment purposes.
- (K) This category includes investments in long/short funds which invests primarily in U.S. high yield debt. The funds may take long/short positions in securities or obligations or any other claims at any position in the capital structure of a high yield issuer, including bank debt, bonds, preferred stock and equities. The funds' portfolio may also include long/short investments in special situations in the crossover, distressed debt and credit derivatives markets.

Christel House International, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
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(Amounts in Thousands)

Note 3: Endowment

The endowment currently includes two donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with the endowment funds are classified and reported on the existence or absence of donor-imposed restrictions.

Christel House's governing body has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Christel House classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated 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 donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Christel House in a manner consistent with the standard of prudence prescribed by SPMIFA.

The composition of net assets by type of endowment at December 31, 2017 and 2016, respectively, was:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 50	\$ 415	\$ 465
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ -	\$ 415	\$ 415

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Changes in endowment net assets for the years ended December 31, 2017 and 2016, respectively, were:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ -	\$ 415	\$ 415
Investment income	-	20	-	20
Net appreciation	-	30	-	30
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 415</u>	<u>\$ 465</u>

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (9)	\$ -	\$ 392	\$ 383
Net appreciation	-	9	-	9
Contributions	-	-	23	23
Transfer for underwater funds	9	(9)	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415</u>	<u>\$ 415</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level Christel House is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at December 31, 2017 and 2016.

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Christel House has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include donor-restricted endowment funds that Christel House must hold in perpetuity or for donor-specified periods. Under Christel House’s policies, endowment assets are invested in a manner that is intended to product results that exceed the distribution rate while assuming a moderate level of investment risk. Christel House expects its endowment funds to provide an average rate of return of approximately 7% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, Christel House relies on a total return strategy in which investment returns are achieved through both yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). Christel House targets a diversified asset allocation that places emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Christel House has a spending policy of appropriating for expenditure each year up to 4% of its endowment funds’ average fair value of the prior four quarters through the year end preceding the year in which expenditure is planned. In establishing this policy, Christel House considered the long-term expected return on its endowment. Accordingly, over the long-term, Christel House expects to grow at an average of 3% annually. This is consistent with Christel House’s objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 4: Contributions Receivable

	2017		2016	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Due within one year	\$ 1,275	\$ 35	\$ 1,304	\$ 35
Due in one to five years	552	35	1,427	70
	<u>1,827</u>	<u>70</u>	<u>2,731</u>	<u>105</u>
Discount	(3)	-	(50)	-
	<u>\$ 1,824</u>	<u>\$ 70</u>	<u>\$ 2,681</u>	<u>\$ 105</u>

Discount rates ranged from 0.92% to 2.10% for 2017 and 2016.

Christel House International, Inc. and Affiliates
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Note 5: Rental Property - Christel House Academy

During 2002, Christel House International, Inc. (CHI) acquired and renovated an educational facility, Christel House Academy South. In December 2002, CHI agreed to lease this facility to Christel House Academy, Inc. (Academy). The Academy is a separately incorporated, not-for-profit organization that is not controlled by CHI. The Academy receives public support from the State of Indiana as well as contributions from CHI. The lease entered into between CHI and the Academy for the Christel House Academy South facility is for a term of 25 years commencing on July 1, 2009.

During 2015, CHI completed construction of Christel House Academy West also located in Indianapolis. Total construction cost was approximately \$11.5 million. Effective August 1, 2014, CHI entered into a 25-year lease with the Academy for this network expansion school.

As discussed more fully in Note 7, CHI issued \$19,000 of bonds to assist in the financing of the Christel House Academy South and West facilities.

Future rent payments due from the Academy are shown below. Rent receivable under this lease agreement was \$131 as of December 31, 2016. No such receivable existed at December 31, 2017. The 2016 rent receivable is included in accounts receivable balances.

Property rented to Christel House Academy, Inc. for the operation of its charter schools is as follows:

	2017	2016
Buildings	\$ 24,984	\$ 24,984
Land improvements	2,596	2,596
	<u>27,580</u>	<u>27,580</u>
Accumulated depreciation	(6,429)	(5,673)
	<u>21,151</u>	<u>21,907</u>
Land	2,505	2,505
	<u>\$ 23,656</u>	<u>\$ 24,412</u>

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Future lease payments due from Christel House Academy, Inc. at December 31, 2017 were:

2018	\$	1,575
2019		1,575
2020		1,575
2021		1,575
2022		1,575
Thereafter		22,687
		<u>30,562</u>
	\$	<u>30,562</u>

Note 6: Property and Equipment

Christel House's property and equipment is as follows:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 4,184	\$ 5,128
Land	214	457
Leasehold improvements	1,291	1,222
Furniture and equipment	1,344	1,272
Computer hardware	2,190	2,078
Books and educational materials	101	147
Motor vehicles	325	275
Work in progress	36	-
	<u>9,685</u>	<u>10,579</u>
Accumulated depreciation	<u>(3,822)</u>	<u>(4,125)</u>
	<u>\$ 5,863</u>	<u>\$ 6,454</u>

On December 11, 2017, Christel House De Mexico, A.C. ("CHMX") sold its former learning center site including land, buildings and certain equipment with a carrying value of \$1,122 for proceeds totaling \$5,288 resulting in a gain of \$4,166.

Christel House International, Inc. and Affiliates
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Note 7: Bonds Payable

On January 29, 2015, the Indiana Finance Authority issued its \$19 million Variable-Rate Demand Educational Facility Revenue Bonds, Series 2015 (Christel House International, Inc. Project). The proceeds from 2015 Bonds were loaned to CHI for purposes of refunding the 2003 Bonds and funding the construction, installation and equipping of Christel House Academy West.

Principal on this loan is due annually on March 2 and interest is due monthly on the first day of each month. The bonds bear interest at the initial bank purchase mode through 2025. The interest under the initial bank purchase mode is equal to 70% of the one-month LIBOR plus 90 basis points. At the conclusion of the initial bank purchase mode, it may be converted to a new bank purchase mode term for an additional period of 10 years or any other duration agreed to. The interest rate in effect at December 31, 2015 was 1.07%. The bonds are guaranteed by a “Continuing Guarantee Agreement” through the term of the loan ending January 1, 2035. The guarantor is Christel DeHaan, CHI’s Founder, President and Chief Executive Officer.

Issuance costs in the amount of \$81 were capitalized during 2015 and are being amortized over 10 years. Unamortized issuance costs as of December 31, 2017 and 2016 were \$57 and \$65, respectively, and are included in bonds payable.

The future maturities of bonds payable are as follows:

2018	\$	771
2019		792
2020		813
2021		835
2022		857
Thereafter		<u>13,447</u>
		17,515
Unamortized bond issuance costs		<u>(57)</u>
	<u>\$</u>	<u>17,458</u>

Interest expense for the years ended December 31, 2017 and 2016 was \$456 and \$482, respectively.

Christel House International, Inc. and Affiliates
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Note 8: Interest Rate Swap

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, Christel House entered into an interest rate swap agreement for its floating rate debt. The agreement provides for Christel House to receive interest from the counterparty equal to 70% of the one-month LIBOR plus 90 basis points and to pay interest to the counterparty at a fixed rate of 2.566% on notional amounts of \$19,000 at December 31, 2015. Under the agreement, Christel House pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

The fair value of the interest swap rate was an asset of \$137 and \$75 at December 31, 2017 and 2016, respectively. Accordingly, Christel House recognized an unrealized gain of \$63 and \$203 in 2017 and 2016, respectively, which is included in the Other Gains and Losses section of the combined and consolidated statements of activities.

Note 9: Leases

Noncancellable operating leases for office space expire on December 31, 2021. Christel House is required to pay all executory costs (property taxes, maintenance and insurance). CHI's lease for office space includes an option to terminate the lease provided CHI pays a termination fee at least 30 days prior to termination.

On April 15, 2016, CHMX entered into a lease arrangement for a school facility in Mexico City. This facility allowed CHMX to relocate its existing grades 1 through 9 and add grades 10 through 12, expanding one grade annually. The lease has an initial term of five years with an option to extend for an additional five year term.

Rent expense for the years ended December 31, 2017 and 2016 was \$518 and \$454, respectively. Rent expense is recognized on a straight-line basis.

Future minimum lease payments at December 31, 2017 were:

2018	\$	455
2019		457
2020		457
2021		461
		<hr/>
	\$	<u>1,830</u>

Christel House International, Inc. and Affiliates
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Note 10: Related Party Transactions

Endless Success Foundation, Inc. (“ESF”) was founded by Christel DeHaan, CHI’s Founder, President and Chief Executive Officer, in January 2015. ESF exists as a supporting organization for the benefit of Christel House International, Inc. and other organizations. During 2017 and 2016, \$7,440 and \$7,000, respectively, of Ms. DeHaan’s support for CHI was supplied via ESF. Additionally, during 2017 and 2016, CHI received \$51 and \$47, respectively, in contributions from Ms. DeHaan.

In 2017 and 2016, CHI expensed \$1,933 and \$1,746, respectively, in payroll related costs that were originally paid by CD Enterprises, Ltd. (CDE), a related party. Included in these expenses was \$109 and \$111 for CHI employer contributions to CDE’s 401(k) plan for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, CHI had an outstanding liability balance of \$378 and \$351, respectively, related to these payroll costs, which is included in accrued payroll and other on the combined and consolidated statements of financial position. Christel DeHaan serves as President of CDE.

As discussed in Note 5, Christel House leases property to the Christel House Academy, Inc., and also provides grants to several affiliated learning centers.

Note 11: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2017	2016
Contributions restricted for periods after December 31	\$ 35,904	\$ 31,588
Capital projects	321	295
Learning center programs and services	2,058	1,872
Nutritional support	118	94
Special projects	238	210
Other programs	482	299
	\$ 39,121	\$ 34,358

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Each year, CHI releases temporarily restricted funds to cover all management and general expenses and fundraising expenses. In addition, funds are released to cover any shortfall in funding for programs and services. One hundred percent of the contributions received from donors other than the Founder are solely applied to programs and services benefiting the students of Christel House.

Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are invested in perpetuity, the income of the endowments is expendable to support:

	2017	2016
Learning center programs and services	\$ 415	\$ 415

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2017	2016
Time restrictions	\$ 2,798	\$ 5,907
Capital projects	85	1,479
Nutritional support	140	188
Learning center programs and services	1,355	2,000
Other programs	403	366
	\$ 4,781	\$ 9,940

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Note 12: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities
- NAV** Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the combined and consolidated statements of financial position

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying combined and consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2017.

Cash Equivalents

Christel House's cash equivalents consist of money market mutual funds that have quoted market prices available in an active market and are classified within Level 1 of the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Christel House currently does not have any Level 3 investments.

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Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

The following tables present the fair value measurements of assets recognized in the accompanying combined and consolidated statements of financial position, measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016:

	2017				
	Fair Value	Fair Value Measurements Using			
Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)	
Assets					
Investments					
Certificates and investment cash	\$ 7,197	\$ 7,197	\$ -	\$ -	\$ -
Commodities	236	236	-	-	-
Equities					
North America	9,922	9,922	-	-	-
International	3,604	3,604	-	-	-
Government agencies					
North America	619	519	100	-	-
Corporate obligations	311	-	311	-	-
Municipal obligations	352	-	352	-	-
Alternative investments					
International equity long/short hedge funds	1,429	-	-	-	1,429
Hedge fund of funds	7,701	-	-	-	7,701
Multi-asset fund	82	-	82	-	-
Emerging markets	1,727	-	-	-	1,727
International commodities	23	-	-	-	23
Limited partnerships	5,182	-	-	-	5,182
U.S. real estate	1,429	-	-	-	1,429
Master limited partnership	102	-	-	-	102
Real estate core property trust	598	-	-	-	598
Absolute return hedge fund of funds	2,222	-	-	-	2,222
High yield debt	77	-	-	-	77
	<u>42,813</u>	<u>21,478</u>	<u>845</u>	<u>-</u>	<u>20,490</u>
Interest rate swap	137	-	137	-	-
	<u>42,950</u>	<u>21,478</u>	<u>982</u>	<u>-</u>	<u>20,490</u>
Total assets	<u>\$ 42,950</u>	<u>\$ 21,478</u>	<u>\$ 982</u>	<u>\$ -</u>	<u>\$ 20,490</u>

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	2016				
	Fair Value	Fair Value Measurements Using			
Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets					
Investments					
Certificates and investment cash	\$ 1,938	\$ 1,938	\$ -	\$ -	\$ -
Commodities	209	209	-	-	-
Equities					
North America	9,697	9,697	-	-	-
International	2,276	2,276	-	-	-
Government agencies					
North America	719	368	351	-	-
Corporate obligations	297	-	297	-	-
Municipal obligations	354	-	354	-	-
Alternative investments					
International equity long/short					
hedge funds	1,260	-	-	-	1,260
Hedge fund of funds	6,816	-	-	-	6,816
Multi-asset fund	122	-	122	-	-
Emerging markets	1,419	-	-	-	1,419
International commodities	470	-	-	-	470
Limited partnerships	2,858	-	-	-	2,858
U.S. real estate	710	-	-	-	710
Master limited partnership	114	-	-	-	114
Real estate core property trust	554	-	-	-	554
Absolute return hedge fund of funds	2,138	-	-	-	2,138
High yield debt	716	-	-	-	716
	<u>32,667</u>	<u>14,488</u>	<u>1,124</u>	<u>-</u>	<u>17,055</u>
Interest rate swap	75	-	75	-	-
	<u>32,742</u>	<u>14,488</u>	<u>1,199</u>	<u>-</u>	<u>17,055</u>
Total assets	<u>\$ 32,742</u>	<u>\$ 14,488</u>	<u>\$ 1,199</u>	<u>\$ -</u>	<u>\$ 17,055</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified within a level in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Note 13: Concentrations

Christel House received approximately 54% and 51% of its contribution revenue from ESF in 2017 and 2016, respectively (see Note 10).

Christel House International, Inc. and Affiliates
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Note 14: Future Change in Accounting Principle

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which requires a variety of changes to financial statement presentation and disclosures. Christel House expects to first apply the ASU during its fiscal year ending December 31, 2018 through a retrospective application to previous years' statements for comparative purposes. Christel House is in the process of evaluating the impact the amendment will have on the combined and consolidated financial statements.

Supplementary Information

Christel House International, Inc. and Affiliates
Combining and Consolidating Statement of Financial Position
December 31, 2017
(Amounts in Thousands)

	Christel House International, Inc.	Christel House de Mexico, A.C.	Christel House India		Christel House South Africa	Christel House Europe	Eliminations	Total
			Christel House Bangalore	Christel House Naya Raipur				
Assets								
Cash and cash equivalents								
Unrestricted	\$ 4,585	\$ 635	\$ 64	\$ 6	\$ 112	\$ 29	\$ -	\$ 5,431
Temporarily restricted	280	189	123	-	45	14	-	651
Investments								
Unrestricted	-	4,954	16	59	1,001	-	-	6,030
Temporarily restricted	35,674	288	96	18	362	-	-	36,438
Permanently restricted	322	-	23	-	-	-	-	345
Accounts receivable	8	2	-	-	38	-	-	48
Contributions receivable								
Temporarily restricted	711	168	261	-	616	68	-	1,824
Permanently restricted	70	-	-	-	-	-	-	70
Other assets								
Unrestricted	120	41	91	7	59	-	-	318
Interest rate swap	137	-	-	-	-	-	-	137
Rental property - Christel House Academy								
Unrestricted	23,434	-	-	-	-	-	-	23,434
Temporarily restricted	222	-	-	-	-	-	-	222
Property and equipment	60	798	1,250	149	3,606	-	-	5,863
Total Assets	\$ 65,623	\$ 7,075	\$ 1,924	\$ 239	\$ 5,839	\$ 111	\$ -	\$ 80,811
Liabilities								
Accounts payable	\$ 123	\$ -	\$ 34	\$ 12	\$ 33	\$ -	\$ -	\$ 202
Accrued payroll and other								
Unrestricted	533	251	188	23	375	3	-	1,373
Temporarily restricted	-	-	-	-	-	14	-	14
Bonds payable, net of bond issue costs	17,458	-	-	-	-	-	-	17,458
Total Liabilities	18,114	251	222	35	408	17	-	19,047
Net Assets								
Unrestricted	10,230	6,179	1,199	186	4,408	26	-	22,228
Temporarily restricted	36,887	645	480	18	1,023	68	-	39,121
Permanently restricted	392	-	23	-	-	-	-	415
Total Net Assets	47,509	6,824	1,702	204	5,431	94	-	61,764
Total Liabilities and Net Assets	\$ 65,623	\$ 7,075	\$ 1,924	\$ 239	\$ 5,839	\$ 111	\$ -	\$ 80,811

Christel House International, Inc. and Affiliates
Combining and Consolidating Statement of Financial Position
December 31, 2016
(Amounts in Thousands)

	Christel House International, Inc.	Christel House de Mexico, A.C.	Christel House India		Christel House South Africa	Christel House Europe	Eliminations	Total
			Christel House Bangalore	Christel House Naya Raipur				
Assets								
Cash and cash equivalents								
Unrestricted	\$ 5,014	\$ 348	\$ 234	\$ -	\$ 2	\$ 154	\$ -	\$ 5,752
Temporarily restricted	40	173	35	-	42	46	-	336
Permanently restricted	35	-	-	-	-	-	-	35
Investments								
Unrestricted	263	125	32	-	807	-	-	1,227
Temporarily restricted	30,519	269	141	-	236	-	-	31,165
Permanently restricted	252	-	23	-	-	-	-	275
Accounts receivable	139	1	-	-	132	-	(79)	193
Contributions receivable								
Temporarily restricted	1,144	703	296	-	445	93	-	2,681
Permanently restricted	105	-	-	-	-	-	-	105
Other assets								
Unrestricted	60	37	84	5	42	-	-	228
Temporarily restricted	-	-	-	19	-	-	(19)	-
Interest rate swap	75	-	-	-	-	-	-	75
Rental property - Christel House Academy								
Unrestricted	24,190	-	-	-	-	-	-	24,190
Temporarily restricted	222	-	-	-	-	-	-	222
Property and equipment	28	1,871	1,216	57	3,282	-	-	6,454
Total Assets	\$ 62,086	\$ 3,527	\$ 2,061	\$ 81	\$ 4,988	\$ 293	\$ (98)	\$ 72,938
Liabilities								
Accounts payable	\$ 101	\$ 5	\$ 7	\$ -	\$ 51	\$ -	\$ -	\$ 164
Accrued payroll and other								
Unrestricted	412	198	144	-	270	158	(79)	1,103
Temporarily restricted	-	-	19	-	-	46	(19)	46
Bonds payable, net of bond issue costs	18,202	-	-	-	-	-	-	18,202
Total Liabilities	18,715	203	170	-	321	204	(98)	19,515
Net Assets								
Unrestricted	11,054	2,179	1,415	62	3,944	(4)	-	18,650
Temporarily restricted	31,925	1,145	453	19	723	93	-	34,358
Permanently restricted	392	-	23	-	-	-	-	415
Total Net Assets	43,371	3,324	1,891	81	4,667	89	-	53,423
Total Liabilities and Net Assets	\$ 62,086	\$ 3,527	\$ 2,061	\$ 81	\$ 4,988	\$ 293	\$ (98)	\$ 72,938

Christel House International, Inc. and Affiliates
Combining and Consolidating Statement of Activities
Year Ended December 31, 2017
(Amounts in Thousands)

	Christel House International, Inc.	Christel House de Mexico, A.C.	Christel House India		Christel House South Africa	Christel House Europe	Eliminations	Total
			Christel House Bangalore	Christel House Naya Raipur				
Revenue, Gains and Other Support								
Contributions	\$ 1,575	\$ 845	\$ 148	\$ -	\$ 775	\$ 28	\$ -	\$ 3,371
Supporting organization funding	7,440	-	-	-	-	-	-	7,440
Direct contributions	43	150	159	54	213	3	(622)	-
CHI funding	42	1,564	1,041	498	3,180	73	(6,398)	-
In-kind contributions	289	14	10	-	331	-	-	644
Special events (net of expenses of \$138)	959	6	52	-	17	67	-	1,101
Grants	75	64	591	-	394	-	-	1,124
Investment income (net of expenses of \$51)	294	65	23	2	40	-	-	424
Rental income - Christel House Academy	1,957	-	-	-	-	-	-	1,957
Other	3	22	2	-	11	-	-	38
Total Revenue, Gains and Other Support	12,677	2,730	2,026	554	4,961	171	(7,020)	16,099
Expenses								
Program services								
Grants	8,949	-	-	-	-	105	(7,020)	2,034
Academics	2,179	2,370	1,671	401	3,912	-	-	10,533
	11,128	2,370	1,671	401	3,912	105	(7,020)	12,567
Management and general	885	158	197	30	229	20	-	1,519
Fundraising	1,196	277	350	-	579	48	-	2,450
Total Expenses	13,209	2,805	2,218	431	4,720	173	(7,020)	16,536
Change in Net Assets Before Other Gains and Losses	(532)	(75)	(192)	123	241	(2)	-	(437)
Other Gains and Losses								
Gain on sale of property	-	4,167	2	-	(3)	-	-	4,166
Write-off of contribution receivable	-	(596)	-	-	-	-	-	(596)
Realized gain on investments	2,086	-	-	-	-	-	-	2,086
Unrealized gain on investments	2,521	-	-	-	-	-	-	2,521
Unrealized gain on interest rate swap	63	-	-	-	-	-	-	63
Foreign currency translation adjustment	-	4	1	-	526	7	-	538
Change in Net Assets	4,138	3,500	(189)	123	764	5	-	8,341
Net Assets, Beginning of Year	43,371	3,324	1,891	81	4,667	89	-	53,423
Net Assets, End of Year	\$ 47,509	\$ 6,824	\$ 1,702	\$ 204	\$ 5,431	\$ 94	\$ -	\$ 61,764

Christel House International, Inc. and Affiliates
Combining and Consolidating Statement of Activities
Year Ended December 31, 2016
(Amounts in Thousands)

	Christel House International, Inc.	Christel House de Mexico, A.C.	Christel House India		Christel House South Africa	Christel House Europe	Eliminations	Total
			Christel House Bangalore	Christel House Naya Raipur				
Revenue, Gains and Other Support								
Contributions	\$ 1,904	\$ 678	\$ 141	\$ -	\$ 648	\$ 196	\$ -	\$ 3,567
Supporting organization funding	7,000	-	-	-	-	-	-	7,000
Direct contributions	73	101	192	27	256	64	(713)	-
CHI funding	-	1,104	784	286	1,918	118	(4,210)	-
In-kind contributions	285	44	13	-	694	1	-	1,037
Special events (net of expenses of \$135)	709	4	49	-	41	60	-	863
Grants	16	139	758	-	368	-	-	1,281
Investment income (net of expenses of \$53)	228	39	23	-	48	-	-	338
Rental income - Christel House Academy	1,957	-	-	-	-	-	-	1,957
Other	5	24	1	-	14	-	-	44
Total Revenue, Gains and Other Support	12,177	2,133	1,961	313	3,987	439	(4,923)	16,087
Expenses								
Program services								
Grants	6,670	1	52	-	-	278	(4,923)	2,078
Academics	2,008	2,037	1,402	208	3,089	-	-	8,744
	8,678	2,038	1,454	208	3,089	278	(4,923)	10,822
Management and general	764	180	167	20	193	24	-	1,348
Fundraising	1,293	251	313	6	359	90	-	2,312
Total Expenses	10,735	2,469	1,934	234	3,641	392	(4,923)	14,482
Change in Net Assets Before Other Gains and Losses	1,442	(336)	27	79	346	47	-	1,605
Other Gains and Losses								
Gain on sale of property	-	-	5	-	-	-	-	5
Realized loss on investments	(398)	-	-	-	-	-	-	(398)
Unrealized gain on investments	2,028	-	-	-	-	-	-	2,028
Unrealized gain on interest rate swap	203	-	-	-	-	-	-	203
Foreign currency translation adjustment	-	(616)	33	2	452	(16)	-	(145)
Change in Net Assets	3,275	(952)	65	81	798	31	-	3,298
Net Assets, Beginning of Year	40,096	4,276	1,826	-	3,869	58	-	50,125
Net Assets, End of Year	\$ 43,371	\$ 3,324	\$ 1,891	\$ 81	\$ 4,667	\$ 89	\$ -	\$ 53,423

Christel House International, Inc. and Affiliates
Combined and Consolidated Statement of Functional Expenses
Year Ended December 31, 2017
(Amounts in Thousands)

	<u>Program Service Expenses</u>			<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Grants</u>	<u>Academics</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and benefits	\$ -	\$ 5,288	\$ 5,288	\$ 906	\$ 1,720	\$ 7,914
Direct grants	2,034	-	2,034	-	-	2,034
Outside services	-	356	356	164	143	663
Course materials/supplies	-	604	604	-	-	604
Medicine/laboratories	-	14	14	-	-	14
Nutritional support	-	698	698	-	-	698
Sales and marketing	-	5	5	1	291	297
Travel and entertainment	-	42	42	37	80	159
Vehicle/transportation expense	-	504	504	2	1	507
Rent and facilities	-	998	998	98	100	1,196
Depreciation and amortization	-	1,472	1,472	15	5	1,492
Interest expense/bond fees	-	456	456	-	-	456
Unrelated business taxes on investments	-	-	-	204	-	204
Other	-	96	96	92	110	298
Total Expenses	\$ 2,034	\$ 10,533	\$ 12,567	\$ 1,519	\$ 2,450	\$ 16,536

Christel House International, Inc. and Affiliates
Combined and Consolidated Statement of Functional Expenses
Year Ended December 31, 2016
(Amounts in Thousands)

	Program Service Expenses			Supporting Services		Total Expenses
	Grants	Academics	Total Program Services	Management and General	Fundraising	
Salaries and benefits	\$ -	\$ 4,374	\$ 4,374	\$ 820	\$ 1,461	\$ 6,655
Direct grants	2,078	-	2,078	-	-	2,078
Outside services	-	208	208	201	143	552
Course materials/supplies	-	503	503	-	-	503
Medicine/laboratories	-	14	14	-	-	14
Nutritional support	-	523	523	-	-	523
Sales and marketing	-	-	-	-	410	410
Travel and entertainment	-	75	75	41	100	216
Vehicle/transportation expense	-	421	421	1	2	424
Rent and facilities	-	813	813	87	96	996
Depreciation and amortization	-	1,239	1,239	5	3	1,247
Interest expense/bond fees	-	482	482	-	-	482
Unrelated business taxes on investments	-	-	-	109	-	109
Other	-	92	92	84	97	273
Total Expenses	\$ 2,078	\$ 8,744	\$ 10,822	\$ 1,348	\$ 2,312	\$ 14,482