

Christel House International, Inc. and Affiliates

Independent Auditor's Report and Combined
and Consolidated Financial Statements

December 31, 2016 and 2015

Christel House International, Inc. and Affiliates

December 31, 2016 and 2015

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Independent Auditor's Report

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 and Affiliates, which comprise the combined and consolidated statements of financial position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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
September 12, 2017

Christel House International, Inc. and Affiliates
Combined and Consolidated Statements of Financial Position
December 31, 2016 and 2015
(Amounts in Thousands)

	2016	2015
Assets		
Cash and cash equivalents		
Unrestricted	\$ 5,752	\$ 3,492
Temporarily restricted	336	133
Permanently restricted	35	35
Total cash and cash equivalents	6,123	3,660
Investments		
Unrestricted	1,227	3,010
Temporarily restricted	31,165	29,777
Permanently restricted	275	217
Total investments	32,667	33,004
Accounts receivable	193	355
Contributions receivable		
Temporarily restricted	2,681	3,227
Permanently restricted	105	140
Other assets	228	166
Interest rate swap	75	-
Rental property - Christel House Academy		
Unrestricted	24,190	24,944
Temporarily restricted	222	222
Property and equipment	6,454	4,882
Total Assets	\$ 72,938	\$ 70,600
Liabilities		
Accounts payable	\$ 164	\$ 216
Accrued payroll and other		
Unrestricted	1,103	1,204
Temporarily restricted	46	-
Interest rate swap	-	128
Bonds payable, net of bond issue costs	18,202	18,927
Total Liabilities	19,515	20,475
Net Assets		
Unrestricted	18,650	16,374
Temporarily restricted	34,358	33,359
Permanently restricted	415	392
Total Net Assets	53,423	50,125
Total Liabilities and Net Assets	\$ 72,938	\$ 70,600

Christel House International, Inc. and Affiliates
Combined and Consolidated Statements of Activities
Years Ended December 31, 2016 and 2015
(Amounts in Thousands)

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Gains and Other Support				
Contributions	\$ 915	\$ 2,629	\$ 23	\$ 3,567
Supporting organization funding	-	7,000		7,000
In-kind contributions	283	754	-	1,037
Special events (net of expenses of \$135 and \$153)	815	48	-	863
Grant income	807	474	-	1,281
Investment income (net of expenses of \$53 and \$40)	304	34	-	338
Rental income - Christel House Academy	1,957	-	-	1,957
Other	44	-	-	44
	<u>5,125</u>	<u>10,939</u>	<u>23</u>	<u>16,087</u>
Net assets released from restrictions	9,940	(9,940)	-	-
Total Revenue, Gains and Other Support	<u>15,065</u>	<u>999</u>	<u>23</u>	<u>16,087</u>
Expenses				
Program services				
Grants	2,078	-	-	2,078
Academics	8,744	-	-	8,744
	<u>10,822</u>	<u>-</u>	<u>-</u>	<u>10,822</u>
Management and general	1,348	-	-	1,348
Fundraising	2,312	-	-	2,312
Total Expenses	<u>14,482</u>	<u>-</u>	<u>-</u>	<u>14,482</u>
Change in Net Assets Before Other Gains and Losses	583	999	23	1,605
Other Gains and Losses				
Gain on sale of property	5	-	-	5
Realized gain (loss) on investments	(398)	-	-	(398)
Unrealized gain (loss) on investments	2,028	-	-	2,028
Loss on bond refinancing	-	-	-	-
Unrealized gain (loss) on interest rate swap	203	-	-	203
Foreign currency translation adjustment	(145)	-	-	(145)
	<u>2,276</u>	<u>999</u>	<u>23</u>	<u>3,298</u>
Change in Net Assets	2,276	999	23	3,298
Net Assets, Beginning of Year	<u>16,374</u>	<u>33,359</u>	<u>392</u>	<u>50,125</u>
Net Assets, End of Year	<u>\$ 18,650</u>	<u>\$ 34,358</u>	<u>\$ 415</u>	<u>\$ 53,423</u>

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,144	\$ 3,889	\$ 172	\$ 5,205
-	-	-	-
513	379	-	892
731	16	-	747
911	397	-	1,308
343	5	-	348
1,951	-	-	1,951
36	-	3	39
<u>5,629</u>	<u>4,686</u>	<u>175</u>	<u>10,490</u>
<u>10,473</u>	<u>(10,473)</u>	<u>-</u>	<u>-</u>
<u>16,102</u>	<u>(5,787)</u>	<u>175</u>	<u>10,490</u>
2,559	-	-	2,559
<u>8,556</u>	<u>-</u>	<u>-</u>	<u>8,556</u>
11,115	-	-	11,115
1,303	-	-	1,303
<u>2,325</u>	<u>-</u>	<u>-</u>	<u>2,325</u>
<u>14,743</u>	<u>-</u>	<u>-</u>	<u>14,743</u>
1,359	(5,787)	175	(4,253)
-	-	-	-
361	-	-	361
(211)	-	-	(211)
(413)	-	-	(413)
(128)	-	-	(128)
<u>(1,945)</u>	<u>-</u>	<u>-</u>	<u>(1,945)</u>
(977)	(5,787)	175	(6,589)
<u>17,351</u>	<u>39,146</u>	<u>217</u>	<u>56,714</u>
<u>\$ 16,374</u>	<u>\$ 33,359</u>	<u>\$ 392</u>	<u>\$ 50,125</u>

Christel House International, Inc. and Affiliates
Combined and Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015
(Amounts in Thousands)

	2016	2015
Operating Activities		
Change in net assets	\$ 3,298	\$ (6,589)
Items not requiring (providing) cash		
Depreciation	1,239	1,188
Amortization of bond issue costs	8	12
Foreign currency translation adjustment	145	1,945
Realized (gain) loss on investments	398	(361)
Unrealized (gain) loss on investments	(2,028)	211
Unrealized (gain) loss on interest rate swap	(203)	128
Loss on refinancing	-	413
Changes in		
Accounts receivable	162	87
Contributions receivable	581	(1,122)
Other assets	(62)	29
Accounts payable	(52)	(318)
Accrued payroll and other	(55)	385
Net Cash Provided by (Used in) Operating Activities	3,431	(3,992)
Investing Activities		
Purchase of investments	(2,122)	(5,680)
Proceeds from sale of investments	4,089	3,954
Purchase of rental property and property and equipment	(1,975)	(395)
Net Cash Used in Investing Activities	(8)	(2,121)
Financing Activities		
Bond principal payments	(733)	(7,325)
Bond proceeds	-	19,000
Repayments under line of credit	-	(3,200)
Bond issue costs	-	(78)
Net Cash Provided by (Used in) Financing Activities	(733)	8,397
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(227)	(950)
Net Increase in Cash and Cash Equivalents	2,463	1,334
Cash and Cash Equivalents, Beginning of Year	3,660	2,326
Cash and Cash Equivalents, End of Year	\$ 6,123	\$ 3,660
Supplemental Cash Flows Information		
Interest paid	\$ 482	\$ 457

Christel House International, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
December 31, 2016 and 2015
(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 4,600 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, 2016 and 2015

(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 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. CHI also provides management and financial support to Christel House (Lavasa), located in Lavasa, India. The financial information related to the Academy and Lavasa are not consolidated in these financial statements as these organizations are 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, 2016 and 2015, cash equivalents consisted primarily of money market funds.

At December 31, 2016, CHI's cash accounts exceeded federally insured limits by approximately \$4,087. Additionally, at December 31, 2016, funds held outside the United States were \$1,034 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
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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, 2016 and 2015.

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, 2016 and 2015 include \$30,249 and \$28,463, 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
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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
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(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 2012.

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 the date of the Independent Auditor's Report, which is the date the combined and consolidated financial statements were available to be issued.

In January 2017, Christel House De Mexico, A.C. began preparations for the sale of its former learning center site including land, buildings and certain equipment with a carrying value of approximately \$1,056 at December 31, 2016. The property will be sold via competitive auction on or about August 31, 2017. A gain on sale is anticipated.

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.

Christel House International, Inc. and Affiliates
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(Amounts in Thousands)

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, the Ministry of Education will provide CHJ with certain real estate at no cost to CHJ under a long-term lease on which CHJ will construct and operate a learning center. In addition, the Ministry of Education has committed to support the annual operating costs of the proposed learning center with annual payments equivalent to one half of the amount the Ministry of Education would pay had Christel House students attended public schools. Christel House Jamaica is planned to open for operations no later than September 2019.

Due to a number of operational constraints, Christel House and Lavasa Corporation Limited (“LCL”) agreed that responsibility for running the Lavasa school would be returned to LCL, effective with the start of 2017-18 academic year. LCL will admit paying students in grades K-8, but impoverished children from the surrounding villages will continue to receive free education.

Note 2: Investments and Investment Return

Investments are as follows:

	2016	2015
Certificates and investment cash	\$ 1,938	\$ 4,703
Commodities	209	184
Equities		
North America	9,697	8,698
International	2,276	2,153
Government agencies		
North America	719	1,630
Corporate obligations	297	371
Municipal obligations	354	359
Alternative investments	17,177	14,906
	<u>\$ 32,667</u>	<u>\$ 33,004</u>

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

	2016	2015
Investment income (net of expenses of \$53 and \$40)	\$ 338	\$ 348
Net realized gains (losses)	(398)	361
Net unrealized gains (losses)	2,028	(211)
	<u>\$ 1,968</u>	<u>\$ 498</u>
Total return on investments		

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

Alternative Investments

Alternative investments held at December 31, 2016 and 2015 consist of the following:

	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 (C)	6,816	Quarterly	45 days
Multi-asset fund (D)	122	Daily	None required
Emerging markets (E)	1,419	Monthly	30 days
International commodities (F)	470	Monthly	30 days
Limited partnerships (G)	2,858	Not eligible	N/A
U.S. real estate (H)	710	Not eligible	N/A
Master limited partnership (I)	114	Quarterly	30 days
Real Estate core property trust (CPT) (J)	554	Quarterly	45 days
Absolute return hedge fund of funds (K)	2,138	Semi-annual	100 days
High Yield Debt (L)	716	Quarterly	45 days
Total alternative investments	<u>\$ 17,177</u>		

	2015		
	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
International equity long/short hedge funds (A)	\$ 1,221	Monthly	30 days
Distressed debt funds (B)	20	Not eligible	N/A
Hedge funds of funds (C)	6,953	Quarterly	45 days
Multi-asset fund (D)	360	Daily	None required
Emerging markets (E)	1,288	Monthly	30 days
International commodities (F)	417	Monthly	30 days
Limited partnerships (G)	1,621	Not eligible	N/A
U.S. real estate (H)	580	Not eligible	N/A
Master limited partnership (I)	84	Quarterly	30 days
Real Estate core property trust (CPT) (J)	261	Quarterly	45 days
Absolute return hedge fund of funds (K)	1,522	Semi-annual	100 days
High Yield Debt (L)	579	Quarterly	45 days
Total alternative investments	<u>\$ 14,906</u>		

Christel House International, Inc. and Affiliates
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Unfunded commitments totaled approximately \$8,696 and \$3,187 at December 31, 2016 and 2015, 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 investments in funds that invest primarily in distressed debt situations, including well-collateralized distressed senior secured loan obligations where the fund can influence the outcome of events. The fund seeks to invest in situations that reflect a discount to the underlying collateral value, enterprise value or both, with the intent of recovering substantial premiums to acquisition prices. Distributions from each fund will be made as the underlying investments of the funds are liquidated. The fund term will end on the seventh anniversary of the final closing date of the Partnership, subject to extension by the directors for up to two additional one-year periods. 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. These funds were liquidated in 2016.
- (C) This category includes Fund of Funds which may invest either directly or through investments with other managers in underlying funds. The investment strategies include but are not limited to capital structure arbitrage, event driven, fixed income, long/short equity, directly investing in a range of derivatives and selling/purchasing securities for hedging or investment purposes. This fund seeks long-term capital appreciation through investments in seven hedge funds offered by Wellington Hedge Management. The fund does not exercise any discretionary tactical asset allocation, but rather will rebalance once a year to the initial allocation. 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.
- (D) 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.
- (E) 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.
- (F) 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.

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- (G) 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.
- (H) 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 4 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.
- (I) 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.
- (J) 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.
- (K) 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.
- (L) 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
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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, 2016 and 2015, respectively, was:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ -	\$ 415	\$ 415
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ (9)	\$ -	\$ 392	\$ 383

Christel House International, Inc. and Affiliates
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Changes in endowment net assets for the years ended December 31, 2016 and 2015, respectively, were:

	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>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (4)	\$ -	\$ 217	\$ 213
Net depreciation	-	(5)	-	(5)
Contributions	-	-	175	175
Transfer for underwater funds	(5)	5	-	-
Endowment net assets, end of year	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ 392</u>	<u>\$ 383</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 and totaled \$9 at December 31, 2015. There were no such deficiencies at December 31, 2016. The 2015 deficiency resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

Christel House International, Inc. and Affiliates
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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 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

	2016		2015	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Due within one year	\$ 1,304	\$ 35	\$ 1,030	\$ 35
Due in one to five years	1,427	70	2,289	105
	<u>2,731</u>	<u>105</u>	<u>3,319</u>	<u>140</u>
Discount	(50)	-	(92)	-
	<u>\$ 2,681</u>	<u>\$ 105</u>	<u>\$ 3,227</u>	<u>\$ 140</u>

Discount rates ranged from 0.71% to 2.10% for 2016 and 2015.

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 2014, 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 is \$131 and \$271 as of December 31, 2016 and 2015, respectively. This 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:

	2016	2015
Buildings	\$ 24,984	\$ 24,984
Land improvements	2,596	2,596
	<u>27,580</u>	<u>27,580</u>
Accumulated depreciation	(5,673)	(4,919)
	<u>21,907</u>	<u>22,661</u>
Land	2,505	2,505
	<u>\$ 24,412</u>	<u>\$ 25,166</u>

Christel House International, Inc. and Affiliates
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Future lease payments due from Christel House Academy, Inc. at December 31, 2016 were:

2017	\$	1,575
2018		1,575
2019		1,575
2020		1,575
2021		1,575
Thereafter		24,262
	<u>\$</u>	<u>32,137</u>

Note 6: Property and Equipment

Christel House's property and equipment is as follows:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 5,128	\$ 4,740
Land	457	500
Leasehold improvements	1,222	612
Furniture and equipment	1,272	1,037
Computer hardware	2,078	1,363
Books and educational materials	147	139
Motor vehicles	275	182
Work in progress	-	29
	<u>10,579</u>	<u>8,602</u>
Accumulated depreciation	<u>(4,125)</u>	<u>(3,720)</u>
	<u>\$ 6,454</u>	<u>\$ 4,882</u>

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, 2016 and 2015 were \$65 and \$74, respectively, and are included in bonds payable.

The future maturities of bonds payable are as follows:

2017	\$	752
2018		771
2019		792
2020		813
2021		835
Thereafter		<u>14,304</u>
		18,267
Unamortized bond issuance costs		<u>(65)</u>
	<u>\$</u>	<u>18,202</u>

Interest expense for the years ended December 31, 2016 and 2015 was \$482 and \$457, 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 \$75 at December 31, 2016 and was a liability of \$128 at December 31, 2015. Accordingly, Christel House recognized an unrealized gain in 2016 of \$203 and an unrealized loss in 2015 of \$128, which is included in the Other Gains and Losses section of the combined and consolidated statement 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. Rent expense for the years ended December 31, 2016 and 2015 was \$170 and \$143, respectively. Rent expense is recognized on a straight-line basis.

On April 15, 2016, Christel House de Mexico, A.C. ("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. Annual rental is approximately \$300.

Future minimum lease payments at December 31, 2016 were:

2017	\$	454
2018		455
2019		457
2020		457
2021		461
		<hr/>
	\$	<u>2,284</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 2016, \$7,000 of Ms. DeHaan’s support for CHI was supplied via ESF. Additionally during 2016 and 2015, CHI received \$47 in contributions each year from Ms. DeHaan.

In 2016 and 2015, CHI expensed \$1,746 and \$1,722, respectively, in payroll related costs that were originally paid by CD Enterprises, Ltd. (CDE), a related party. Included in these expenses was \$111 and \$103 for CHI employer contributions to CDE’s 401(k) plan for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, CHI had an outstanding liability balance of \$351 and \$343, 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:

	2016	2015
Contributions restricted for periods after December 31	\$ 31,588	\$ 30,017
Capital projects	295	936
Learning center programs and services	1,872	1,763
Nutritional support	94	68
Special projects	210	269
Other programs	299	306
	\$ 34,358	\$ 33,359

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.

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Permanently Restricted Net Assets

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

Invested in perpetuity, the income of the endowments is expendable to support:

	2016	2015
Learning center programs and services	\$ 415	\$ 392

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.

	2016	2015
Time restrictions	\$ 5,907	\$ 7,693
Capital projects	1,479	174
Nutritional support	188	106
Learning center programs and services	2,000	2,132
Other programs	366	368
	\$ 9,940	\$ 10,473

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

Christel House International, Inc. and Affiliates
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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, 2016.

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.

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.

Christel House International, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
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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, 2016 and 2015:

	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)	Investments Measured at NAV ^(A)	
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	-	-
Alternatives measured at net asset value					
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>

Christel House International, Inc. and Affiliates
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	2015				
	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	\$ 4,703	\$ 4,703	\$ -	\$ -	\$ -
Commodities	184	184	-	-	-
Equities					
North America	8,698	8,698	-	-	-
International	2,153	2,153	-	-	-
Government agencies					
North America	1,630	1,128	502	-	-
Corporate obligations	371	-	371	-	-
Municipal obligations	359	-	359	-	-
Alternatives measured at net asset value					
International equity long/short					
hedge funds	1,221	-	-	-	1,221
Distressed debt funds	20	-	-	-	20
Hedge fund of funds	6,953	-	-	-	6,953
Multi-asset fund	360	-	360	-	-
Emerging markets	1,288	-	-	-	1,288
International commodities	417	-	-	-	417
Limited partnerships	1,621	-	-	-	1,621
U.S. real estate	580	-	-	-	580
Master limited partnership	84	-	-	-	84
Real estate core property trust	261	-	-	-	261
Absolute return hedge fund of funds	1,522	-	-	-	1,522
High yield debt	579	-	-	-	579
	<u>\$ 33,004</u>	<u>\$ 16,866</u>	<u>\$ 1,592</u>	<u>\$ -</u>	<u>\$ 14,546</u>
Liabilities					
Interest rate swap	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ -</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: Concentration

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

Supplementary Information

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 Financial Position
December 31, 2015
(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
Assets							
Cash and cash equivalents							
Unrestricted	\$ 3,266	\$ 121	\$ 54	\$ 26	\$ 25	\$ -	\$ 3,492
Temporarily restricted	74	42	3	14	-	-	133
Permanently restricted	35	-	-	-	-	-	35
Investments							
Unrestricted	361	1,207	390	1,052	-	-	3,010
Temporarily restricted	28,551	899	105	222	-	-	29,777
Permanently restricted	217	-	-	-	-	-	217
Accounts receivable	286	-	4	65	-	-	355
Contributions receivable							
Temporarily restricted	1,458	1,175	87	470	37	-	3,227
Permanently restricted	140	-	-	-	-	-	140
Other assets							
Unrestricted	61	15	90	-	-	-	166
Rental property - Christel House Academy							
Unrestricted	24,944	-	-	-	-	-	24,944
Temporarily restricted	222	-	-	-	-	-	222
Property and equipment	29	1,368	1,195	2,290	-	-	4,882
Total Assets	\$ 59,644	\$ 4,827	\$ 1,928	\$ 4,139	\$ 62	\$ -	\$ 70,600
Liabilities							
Accounts payable	\$ 83	\$ -	\$ 16	\$ 117	\$ -	\$ -	\$ 216
Accrued payroll and other	410	551	86	153	4	-	1,204
Interest rate swap	128	-	-	-	-	-	128
Bonds payable, net of bond issue costs	18,927	-	-	-	-	-	18,927
Total Liabilities	19,548	551	102	270	4	-	20,475
Net Assets							
Unrestricted	9,399	2,160	1,631	3,163	21	-	16,374
Temporarily restricted	30,305	2,116	195	706	37	-	33,359
Permanently restricted	392	-	-	-	-	-	392
Total Net Assets	40,096	4,276	1,826	3,869	58	-	50,125
Total Liabilities and Net Assets	\$ 59,644	\$ 4,827	\$ 1,928	\$ 4,139	\$ 62	\$ -	\$ 70,600

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
Combining and Consolidating Statement of Activities
Year Ended December 31, 2015
(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
Revenue, Gains and Other Support							
Contributions	\$ 1,822	\$ 2,328	\$ 140	\$ 766	\$ 149	\$ -	\$ 5,205
Supporting organization funding	-	-	-	-	-	-	-
Direct contributions	101	351	210	248	5	(915)	-
CHI funding	-	1,029	1,083	3,290	91	(5,493)	-
In-kind contributions	277	41	42	531	1	-	892
Special events (net of expenses of \$153)	587	3	53	16	88	-	747
Grants	267	107	531	403	-	-	1,308
Investment income (net of expenses of \$40)	234	33	37	44	-	-	348
Rental income - Christel House Academy	1,951	-	-	-	-	-	1,951
Other	4	25	8	2	-	-	39
Total Revenue, Gains and Other Support	<u>5,243</u>	<u>3,917</u>	<u>2,104</u>	<u>5,300</u>	<u>334</u>	<u>(6,408)</u>	<u>10,490</u>
Expenses							
Program services							
Grants	8,762	3	-	-	202	(6,408)	2,559
Academics	1,924	1,856	1,277	3,499	-	-	8,556
	<u>10,686</u>	<u>1,859</u>	<u>1,277</u>	<u>3,499</u>	<u>202</u>	<u>(6,408)</u>	<u>11,115</u>
Management and general	764	209	135	170	25	-	1,303
Fundraising	1,318	297	256	398	56	-	2,325
Total Expenses	<u>12,768</u>	<u>2,365</u>	<u>1,668</u>	<u>4,067</u>	<u>283</u>	<u>(6,408)</u>	<u>14,743</u>
Change in Net Assets Before Other Gains and Losses	(7,525)	1,552	436	1,233	51	-	(4,253)
Other Gains and Losses							
Gain on sale of property	-	-	-	-	-	-	-
Realized gain on investments	361	-	-	-	-	-	361
Unrealized loss on investments	(211)	-	-	-	-	-	(211)
Loss on bond refinancing	(413)	-	-	-	-	-	(413)
Unrealized loss on interest rate swap	(128)	-	-	-	-	-	(128)
Foreign currency translation adjustment	-	(609)	(111)	(1,223)	(2)	-	(1,945)
Change in Net Assets	(7,916)	943	325	10	49	-	(6,589)
Net Assets, Beginning of Year	<u>48,012</u>	<u>3,333</u>	<u>1,501</u>	<u>3,859</u>	<u>9</u>	<u>-</u>	<u>56,714</u>
Net Assets, End of Year	<u>\$ 40,096</u>	<u>\$ 4,276</u>	<u>\$ 1,826</u>	<u>\$ 3,869</u>	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ 50,125</u>

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

Christel House International, Inc. and Affiliates
Combined and Consolidated Statement of Functional Expenses
Year Ended December 31, 2015
(Amounts in Thousands)

	Program Service Expenses			Supporting Services		Total Expenses
	Grants	Academics	Total Program Services	Management and General	Fundraising	
Salaries and benefits	\$ -	\$ 4,578	\$ 4,578	\$ 807	\$ 1,431	\$ 6,816
Direct grants	2,559	-	2,559	-	-	2,559
Outside services	-	208	208	175	99	482
Course materials/supplies	-	477	477	-	-	477
Medicine/laboratories	-	13	13	-	-	13
Nutritional support	-	592	592	-	-	592
Sales and marketing	-	4	4	-	453	457
Travel and entertainment	-	23	23	21	118	162
Vehicle/transportation expense	-	426	426	2	3	431
Rent and facilities	-	516	516	72	83	671
Depreciation and amortization	-	1,175	1,175	11	14	1,200
Interest expense/bond fees	-	467	467	-	-	467
Unrelated business taxes on investments	-	-	-	137	-	137
Other	-	77	77	78	124	279
Total Expenses	<u>\$ 2,559</u>	<u>\$ 8,556</u>	<u>\$ 11,115</u>	<u>\$ 1,303</u>	<u>\$ 2,325</u>	<u>\$ 14,743</u>