BKD LLP
CPAs & Advisors
201 N. Illinois Street, Suite 700 // P.O. Box 44998 // Indianapolis, IN 46244-0998
317.383.4000 // fax 317.383.4200 // bkd.com

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

As part of our audit of the combined and consolidated financial statements of Christel House International, Inc. (CHI) and Affiliates (collectively known as "Christel House") as of and for the year ended December 31, 2013, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

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

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

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

Christel House's significant accounting policies are described in Note 1 of the combined and consolidated audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

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

- The fair value of investments
- The estimated useful lives of property and equipment
- The allocation of functional expenses

Financial Statement Disclosures

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

- Fair value disclosures
- Principles of combination and consolidation

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the combined and consolidated financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate. We proposed and management recorded one adjustment during the audit in relation to interest receivable for Christel House South Africa.

Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the combined and consolidated financial statements as a whole.

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

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

- No matters are reportable

Significant Issues Discussed With Management

During the audit process, we discussed the provisions of FASB ASC Topic 958-605 and its implications on the funds raised by Christel House for Christel House Academy and other domestic charter schools not included in the combined and consolidated financial statements.

Other Material Written Communications

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the combined and consolidated financial statements of Christel House as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Christel House's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined and consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Christel House's internal control. Accordingly, we do not express an opinion on the effectiveness of the Christel House's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the Christel House's combined and consolidated financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

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

FUTURE ACCOUNTING CONSIDERATIONS

Potential Changes to Not-for-Profit Financial Reporting

The Financial Accounting Standards Board's (FASB) Not-for-Profit Advisory Committee (NAC) was established to develop recommendations for improving the financial reporting of not-for-profit organizations. Recent FASB activity in response to the NAC's recommendations could significantly impact NFP financial reporting. Tentative decisions by the FASB board, described below, will serve as basis for an exposure draft expected to be issued during 2014.

Changes to Net Asset Classification **-** FASB tentatively decided to replace the three existing net asset classes with two classes of net assets: net assets with and without donor-imposed restrictions. FASB also decided to remove the hard-line distinction between temporary and permanent restrictions.

Operating Measure **-** FASB tentatively decided to define an intermediate operating measure on the basis of a *mission dimension* and an *availability dimension*. FASB decided to support an alternative for presenting an intermediate operating measure that would present all legally available mission related revenues before reductions for amounts designated by the governing board for use in future periods, rather than only the net of those amounts. That presentation also would include amounts of previously unavailable resources that the governing board made available for use in the current period.

Reporting Cash Flows - FASB tentatively decided to require the direct method of reporting cash flows. FASB also discussed rearranging various components of the cash flow statement to better align them with the tentative decision for an intermediate measure of operations.

We will continue to keep Christel House apprised of the FASB's activities related to this issue.

Potential Changes to the Method of Accounting for Leases Under U.S. Generally Accepted Accounting Principles (U.S. GAAP)

The FASB and IASB (Boards) began redeliberations in 2014 on significant issues raised on the revised lease exposure draft issued in May 2013. The proposed standard requires all leases, other than short-term leases, to be recognized on the balance sheet and includes a "dual model" income and expense recognition approach, which will depend on lease classification. Lessees and lessors would use similar criteria, based on the nature of the underlying asset, to classify leases as one of two types. Some leases would result in straight-line expense recognition, while others would result in accelerated expense recognition. Determining which approach to apply will depend on the level of consumption of the underlying asset during the lease period. As a practical expedient, a presumption can be made that leases of property, *i.e.*, land or building, should result in a straight-line recognition pattern and leases of non-property, *e.g.*, equipment and vehicles, should result in a front-loaded (accelerated) recognition pattern.

When adopted, this new approach will require more monitoring and recordkeeping. Companies should evaluate the potential impacts on the financial statements, particularly with regard to financial ratios, results and related matters. These changes may have unexpected impacts on debt covenants or other contracts with lenders, vendors, employees, regulators, etc., that may require revision to maintain the original intent.

The Boards have not yet established an expected effective date for the final standard, but it will likely be no sooner than three years after issuance. The final standard would be required to be applied to all leases outstanding as of the beginning of the earliest comparative period presented with the option of applying a full retrospective or modified retrospective approach.

As a reminder, until a final standard is issued, any positions contained within the exposure draft are still susceptible to change.

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

BKD, LLP

August 27, 2014

Christel House International and Affiliates

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	56,412,000	0	56,412,000	0.00%
Total Liabilities	(12,301,000)	0	(12,301,000)	0.00%
Net Assets	(44,111,000)	0	(44,111,000)	0.00%
Revenues & Income	(11,851,000)	30,600	(11,820,400)	-0.26%
Costs & Expenses	12,048,000	0	12,048,000	0.00%
Change in Net Assets	197,000	30,600	227,600	15.53%

Client: Christel House International and Affiliates
Period Ending: December 31, 2013

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Location or Business Unit	Financial Statement Line Item	Factual (F), Judgmental (J), or Projected (P)	Assets DR (CR)	Liabilities DR (CR)	(X) Non Tax	Revenues & Income DR (CR)	Costs & Expenses DR (CR)	Net Assets (Beg. of year) DR (CR)	Net Effect on Following Year: Change in Net Assets DR (CR)	Net Effect on Following Year: Net Assets DR (CR)
To record South Africa accrued interest at 12/31/12 in 2012.	South Africa		F	0	0		30,600	0	(30,600)	0	0
		Net Assets							(30,600)		
		Investment Income					30,600				
				0	0		0	0	0	0	0
				0	0		0	0	0	0	0
				0	0		0	0	0	0	0
		Taxable passed adjustments					30,600	0	(30,600)	0	0
		Times (1 - effective tax rate of 00%)					100%	100%	100%		
		Taxable passed adjustments net of tax impact			0		30,600	0	(30,600)		
		Nontaxable passed adjustments		0	0		0	0	0		
		Total passed adjustments, net of tax impact (if any)		0	0		30,600	0	(30,600)		

Rollover Method — **Impact on Change in Net Assets** **30,600**

Iron Curtain Method — **Impact on Net Assets** **0**

August 27, 2014

BKD, LLP
Certified Public Accountants
201 North Illinois Street, Suite 700
Indianapolis, IN 46204

We are providing this letter in connection with your audits of our combined and consolidated financial statements as of and for the years ended December 31, 2013 and 2012. We confirm that we are responsible for the fair presentation of the combined and consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated November 25, 2013, for the preparation and fair presentation of the combined and consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for 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.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the combined and consolidated financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

   (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   (d) All minutes of directors' meetings held through the date of this letter.

   (e) All significant contracts and grants.

5. All transactions have been recorded in the accounting records and are reflected in the combined and consolidated financial statements.

6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by Organization procedures with respect to:

   (a) Misappropriation of assets.

   (b) Misrepresented or misstated assets, liabilities or net assets.

7. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the combined and consolidated financial statements taken as a whole.

8. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to BKD any and all known reportable tax transactions.

9. We have no knowledge of any known or suspected:

   (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

   (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the combined and consolidated financial statements.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, customers, regulators, suppliers or others.

11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the Organization may deal if the Organization can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the Organization.

12. Except as reflected in the combined and consolidated financial statements, there are no:

    (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    (b) Material transactions omitted or improperly recorded in the financial records.

    (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the combined and consolidated financial statements.

    (e) Agreements to purchase assets previously sold.

    (g) Restrictions on cash balances or compensating balance agreements.

    (h) Guarantees, whether written or oral, under which the Organization is contingently liable.

13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing combined and consolidated financial statements.

14. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the combined and consolidated financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.

15. Adequate provisions and allowances have been accrued for any material losses from:

    (a) Uncollectible receivables, including pledges.

    (b) Purchase commitments in excess of normal requirements or above prevailing market prices.

16. Except as disclosed in the combined and consolidated financial statements, the Organization has:

    (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

    (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the combined and consolidated financial statements.

17. The combined and consolidated financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

18. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the combined and consolidated financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

19. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

20. With respect to any nonattest services you have provided us during the year:

    (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

    (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

(c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

(d) We have evaluated the adequacy of the services performed and any findings that resulted.

21. We are an organization exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the combined and consolidated financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.

22. We have identified to you any activities conducted having both fund raising and program or management and general components (joint activities) and have allocated the costs of any joint activities in accordance with the provisions of FASB ASC 958-720-45.

23. With regard to supplementary information:

(a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

(b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

(c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.

(d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

(e) If the supplementary information is not presented with the audited combined and consolidated financial statements, we acknowledge we will make the audited combined and consolidated financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

24. We agree with the classification and release of net assets as reflected in the combined and consolidated financial statements. In particular, the temporarily restricted net assets provided by the Founder for future operations are restricted by time and purpose, and are fairly stated. On an annual basis, net assets used in operations are released to cover management and general expense, fundraising expenses, and any shortfall between outside contributions received and programs services expenses. The total amount of the Founder's contributions released in

2013 and 2012 for operations was $1,892,244 and $3,569,107, respectively, and the ending balance of the Founder's temporarily restricted contributions for operations is $20,764,785 and $21,687,362, respectively. We further agree that the $1,000,000 gift from the Founder received on January 9, 2014 is a 2014 transaction which was not pledged to the Organization before year-end.

Christel DeHaan

Christel DeHaan, President and Founder

Joe Schneider, Senior Vice President and Chief Financial Officer

Becky Hawkins

Becky Hawkins, Accounting Manager