

# **Christel House International, Inc. and Affiliates**

Auditor's Report and Combined  
and Consolidated Financial Statements

December 31, 2012 and 2011

# Christel House International, Inc. and Affiliates

December 31, 2012 and 2011

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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, 2012 and 2011, and the related combined and consolidated statements of activities and cash flows for the years then ended, and the related notes to 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, 2012 and 2011, 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 performed 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  
August 19, 2013

**Christel House International, Inc. and Affiliates**  
**Combined and Consolidated Statements of Financial Position**  
**December 31, 2012 and 2011**  
**(Amounts in Thousands)**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and cash equivalents		
Unrestricted	\$ 2,949	\$ 904
Temporarily restricted	2,664	336
Investments		
Unrestricted	2,514	4,614
Temporarily restricted	19,815	18,681
Accounts receivable	1,722	1,216
Contributions receivable	1,602	2,332
Other assets	197	170
Bond issue costs, net	148	162
Rental property - Christel House Academy	15,098	15,509
Property and equipment	7,289	7,585
Total assets	\$ 53,998	\$ 51,509
<b>Liabilities</b>		
Accounts payable	\$ 231	\$ 305
Accrued payroll and other	754	688
Bonds payable	8,705	9,365
Total liabilities	9,690	10,358
<b>Net Assets</b>		
Unrestricted	20,316	19,892
Temporarily restricted	23,992	21,259
Total net assets	44,308	41,151
Total liabilities and net assets	\$ 53,998	\$ 51,509

**Christel House International, Inc. and Affiliates**  
**Combined and Consolidated Statements of Activities**  
**Years Ended December 31, 2012 and 2011**  
**(Amounts in Thousands)**

	<b>2012</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue, Gains and Other Support</b>			
Contributions	\$ 716	\$ 8,276	\$ 8,992
In-kind contributions	616	123	739
Special events (net of expenses of \$156 and \$164)	656	1	657
Grant income	755	980	1,735
Investment income (net of expenses of \$86 and \$43)	729	-	729
Rental income - Christel House Academy	1,195	-	1,195
Other	90	-	90
	<u>4,757</u>	<u>9,380</u>	<u>14,137</u>
Net assets released from restrictions	6,647	(6,647)	-
Total revenue, gains and other support	<u>11,404</u>	<u>2,733</u>	<u>14,137</u>
<b>Expenses</b>			
Program services			
Grants	896	-	896
Academics	7,629	-	7,629
	<u>8,525</u>	<u>-</u>	<u>8,525</u>
Management and general	1,171	-	1,171
Fundraising	2,077	-	2,077
Total expenses	<u>11,773</u>	<u>-</u>	<u>11,773</u>
<b>Change in Net Assets From Operations</b>	(369)	2,733	2,364
<b>Other Gains and Losses</b>			
Realized gain on investments	687	-	687
Unrealized gain (loss) on investments	162	-	162
Foreign currency translation adjustment	(56)	-	(56)
	<u>687</u>	<u>-</u>	<u>687</u>
<b>Change in Net Assets From Continuing Operations</b>	424	2,733	3,157
<b>Loss on Discontinued Operations</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Assets</b>	424	2,733	3,157
<b>Net Assets, Beginning of Year</b>	<u>19,892</u>	<u>21,259</u>	<u>41,151</u>
<b>Net Assets, End of Year</b>	<u>\$ 20,316</u>	<u>\$ 23,992</u>	<u>\$ 44,308</u>

<b>2011</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 849	\$ 2,873	\$ 3,722
305	97	402
590	-	590
942	571	1,513
435	-	435
1,164	-	1,164
126	-	126
<u>4,411</u>	<u>3,541</u>	<u>7,952</u>
<u>12,451</u>	<u>(12,451)</u>	<u>-</u>
<u>16,862</u>	<u>(8,910)</u>	<u>7,952</u>
681	-	681
<u>7,679</u>	<u>-</u>	<u>7,679</u>
8,360	-	8,360
1,150	-	1,150
<u>1,798</u>	<u>-</u>	<u>1,798</u>
<u>11,308</u>	<u>-</u>	<u>11,308</u>
5,554	(8,910)	(3,356)
191	-	191
(797)	-	(797)
<u>(1,930)</u>	<u>-</u>	<u>(1,930)</u>
3,018	(8,910)	(5,892)
<u>(2,570)</u>	<u>-</u>	<u>(2,570)</u>
448	(8,910)	(8,462)
<u>19,444</u>	<u>30,169</u>	<u>49,613</u>
<u>\$ 19,892</u>	<u>\$ 21,259</u>	<u>\$ 41,151</u>

**Christel House International, Inc. and Affiliates**  
**Combined and Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2012 and 2011**  
**(Amounts in Thousands)**

	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Change in net assets	\$ 3,157	\$ (8,462)
Items not requiring (providing) cash		
Depreciation	1,024	1,148
Amortization of bond issue costs	14	15
Foreign currency translation adjustment	56	1,930
Realized gain on sale of investments	(687)	(191)
Unrealized (gain) loss on investments	(162)	797
Transfer property and equipment to Fe Y Alegria	-	693
Changes in		
Accounts receivable	(506)	(504)
Contributions receivable	730	594
Other assets	(27)	40
Accounts payable	(74)	17
Accrued payroll and other	66	(231)
Net cash provided by (used in) operating activities	3,591	(4,154)
<b>Investing Activities</b>		
Purchase of investments	(5,541)	(15,064)
Proceeds from sale of investments	7,356	18,177
Purchase of property and equipment	(411)	(242)
Net cash provided by investing activities	1,404	2,871
<b>Financing Activity - bond principal payments</b>	(660)	(645)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	38	(526)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	4,373	(2,454)
<b>Cash and Cash Equivalents, Beginning of Year</b>	1,240	3,694
<b>Cash and Cash Equivalents, End of Year</b>	\$ 5,613	\$ 1,240
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 23	\$ 35



# **Christel House International, Inc. and Affiliates**

## **Notes to Combined and Consolidated Financial Statements**

### **December 31, 2012 and 2011**

#### **(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, Venezuela, South Africa and the United States and currently serves over 4,100 students 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 basic 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. The CHI Scholars program operates in Serbia and Venezuela where children have access to education, but lack the funds for book fees, study fees and vocational training. 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.

Christel House Venezuela, A.C. (CHV) executed a gift agreement effective July 29, 2011, transferring ownership and control of the learning center to Fe Y Alegria (FA), an internationally recognized provider of quality education. The agreement transferred ownership and control of all real and personal property; including furniture, fixtures, equipment, supplies, books and other items necessary to operate the school. Due to this change in control, employment of all CHV staff ceased in July 2011 and employees were provided the opportunity for reemployment with FA. Severance costs related to these terminations totaled approximately \$814 in 2011. Revenue attributable to CHV before the transfer date for 2011 totaled \$86. The 2011 operations of CHV through the date of transfer resulted in expenses in excess of revenues of \$1,826. This combined with the net assets transferred to FA on July 29, 2011 of \$744 resulted in a loss from discontinued operations of \$2,570.

Contemporaneously with this gift agreement, CHI entered into a restricted grant agreement with FA to provide certain programs and services after the transfer of control including CHI’s career guidance and work-study programs, afternoon extracurricular programs, and transportation and nurse services as these programs and services are not supported under FA’s normal educational model. Estimated annual funding requirements of this grant are approximately \$100. The grant provides an annual review of effectiveness and can be terminated with one month notice.

# **Christel House International, Inc. and Affiliates**

## **Notes to Combined and Consolidated Financial Statements**

### **December 31, 2012 and 2011**

#### **(Amounts in Thousands)**

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. 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 Venezuela, A.C.  
(through the date of transfer of  
July 29, 2011)

Each of the entities is a separately incorporated not-for-profit organization and is governed by a board of directors within their 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 (Academy) and Christel House DORS (DORS), affiliated charter schools located in Indianapolis, Indiana; Christel House (Lavasa), located in Lavasa, India; and Christel House Venezuela, A.C. (CHV) after the date of transfer referred to above. The financial information related to the Academy, DORS, Lavasa and CHV (after July 29, 2011) 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*.

**Christel House International, Inc. and Affiliates**  
**Notes to Combined and Consolidated Financial Statements**  
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The December 31 net asset balances of the affiliated consolidated organizations are as follows:

	<b>2012</b>	<b>2011</b>
Christel House de Mexico, A.C.	\$ 2,184	\$ 3,253
Christel House India	1,433	1,761
Christel House South Africa	6,243	7,136
Christel House Europe (United Kingdom)	33	34
	\$ 9,893	\$ 12,184

The net assets of affiliated organizations can vary significantly from year to year as a result of the timing of funding provided by CHI. The net assets of these affiliates included approximately \$2.3 million and \$4.7 million of such funding as of December 31, 2012 and 2011, respectively.

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, 2012 and 2011, cash equivalents consisted primarily of money market funds and bond funds.

At December 31, 2012, CHI's interest-bearing cash accounts exceeded federally insured limits by approximately \$4,368. Additionally, at December 31, 2012, the funds held outside the United States were \$2,818 and are not insured by the FDIC.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

***Investments and Investment Return***

Investments are carried at fair value. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments.

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.

**Christel House International, Inc. and Affiliates**  
**Notes to Combined and Consolidated Financial Statements**  
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***Property and Equipment***

Property and equipment are 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:

	<u>Years</u>
Buildings	40
Leasehold Improvements	15 - 20
Furniture and equipment	5 - 7
Computer hardware and software	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, 2012 and 2011.

***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, 2012 include \$21,687 donated by Christel DeHaan, CHI's Founder, President and Chief Executive Officer. This balance is restricted for payment of future general and administrative expenses of Christel House. In addition, this balance may be used to fund future operating shortfalls of Christel House.

***Contributions***

Revenues and 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 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.

# **Christel House International, Inc. and Affiliates**

## **Notes to Combined and Consolidated Financial Statements**

### **December 31, 2012 and 2011**

#### **(Amounts in Thousands)**

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. For the years ended December 31, 2012 and 2011, \$739 and \$402, respectively, were received in in-kind contributions.

#### ***Grant Making***

Unconditional grants are recognized as expenses in the period approved.

#### ***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. 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, Christel House de Venezuela, A.C. and Christel House India are tax-exempt entities. Christel House International, Inc. is not considered to be a private foundation. For Christel House International, Inc., the tax years still subject to examination by taxing authorities in the United States are years subsequent to 2008.

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

***Reclassifications***

Certain reclassifications have been made to the 2011 combined and consolidated financial statements to conform to the 2012 combined and consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

***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.

On June 7, 2013, CHI entered into a construction management agreement with a third-party for the development of an expansion charter school, Christel House Academy West, in Indianapolis, Indiana. Construction is anticipated to begin in August 2013 with completion in July 2014 in time for the start of the 2014/2015 school year. Estimated total construction costs are approximately \$12 million. CHI intends to finance approximately 80% of the construction cost.

**Note 2: Investments and Investment Return**

Investments are as follows:

	<b>2012</b>	<b>2011</b>
Certificates and investment cash	\$ 4,115	\$ 4,987
Commodities	374	320
Equities		
North America	4,231	3,744
International	903	712
Government agencies		
North America	2,753	2,504
International	412	736
Corporate obligations	2,186	1,761
Municipal obligations	231	206
Alternative investments	7,124	8,325
	<u>\$ 22,329</u>	<u>\$ 23,295</u>

**Christel House International, Inc. and Affiliates**  
**Notes to Combined and Consolidated Financial Statements**  
**December 31, 2012 and 2011**  
**(Amounts in Thousands)**

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

	<u>2012</u>	<u>2011</u>
Investment income (net of expenses of \$86 and \$43)	\$ 729	\$ 435
Net realized gains	687	191
Net unrealized gains (losses)	<u>162</u>	<u>(797)</u>
Total return on investments	<u>\$ 1,578</u>	<u>\$ (171)</u>

**Alternative Investments**

Alternative investments held at December 31, 2012 and 2011 consist of the following:

	<u>2012</u>		
	<u>Fair Value</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Equity and debt long/short hedge funds (A)	\$ 500	Monthly	30 days
Distressed debt funds (B)	752	Not eligible	N/A
Private investment partnership funds (C)	3,296	Quarterly	45 days
Multi-asset fund (D)	25	Daily	None required
Emerging markets (E)	1,506	Monthly	30 days
International equity (F)	733	Monthly	30 days
Private equity (G)	<u>312</u>	Not eligible	N/A
Total alternative investments	<u>\$ 7,124</u>		

**Christel House International, Inc. and Affiliates**  
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	2011		
	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity and debt long/short hedge funds (A)	\$ 687	Monthly	30 days
Distressed debt funds (B)	2,420	Not eligible	N/A
Private investment partnership funds (C)	1,608	Quarterly	45 days
Multi-asset fund (D)	1,027	Daily	None required
Emerging markets (E)	1,150	Monthly	30 days
International equity (F)	1,283	Monthly	30 days
Private equity (G)	150	Not eligible	N/A
Total alternative investments	<u>\$ 8,325</u>		

Unfunded commitments totaled approximately \$1,461 and \$972 at December 31, 2012 and 2011, 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. This category also includes several real estate funds that invest primarily in U.S. commercial real estate. The primary focus of the fund is to provide mezzanine financing for commercial buildings, single family lot development and condominium development. Investments are concentrated in the metropolitan areas of Indiana, Illinois, Ohio, North Carolina and Florida. These investments can never be redeemed with the funds. 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.



**Christel House International, Inc. and Affiliates**  
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- (C) This category includes several private investment partnerships funds that invest in various industries and sectors or markets. In addition, certain investment partners invest in investment funds that utilize short positions, leverage (including margin borrowing), options, futures, commodities and other derivatives and may invest in non-U.S. securities and illiquid securities. 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) This category includes investments in acquired funds, common and preferred stocks, real estate investment trusts, high yield bonds, securities issued or guaranteed by the U.S. Government, corporate bonds and short-term money markets. 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.
- (E) This category includes investments in sensibly-priced, high quality emerging market companies that are anticipated to deliver long-term earnings growth. The fund will typically be invested in 50 - 70 holdings at any given time. 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 commodity future markets focused on the energy, metals and agriculture markets. The fund will typically be invested in 70 - 95 companies expected to exceed market expectations at any point in time. 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 administrators or using the net asset values per share as reported by the fund administrator.
- (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 investments in U.S. Buyout Funds, Venture Capital Funds and Non-U.S. Buyout Funds. 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.

**Christel House International, Inc. and Affiliates**  
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**Note 3: Contributions Receivable - Temporarily Restricted**

	<u>2012</u>	<u>2011</u>
Due within one year	\$ 1,558	\$ 1,519
Due in one to five years	50	902
	<u>1,608</u>	<u>2,421</u>
Discount	(6)	(89)
	<u>\$ 1,602</u>	<u>\$ 2,332</u>

Discount rates ranged from .37% to 1.22% for 2012 and 2011.

**Note 4: Rental Property - Christel House Academy**

During 2002, Christel House International, Inc. (CHI) acquired and renovated an educational facility, Christel House Academy. In December 2002, CHI agreed to lease this facility to Christel House Academy, Inc. (Academy), a charter school in the Indianapolis area. 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. As discussed more fully in Note 6, CHI issued \$14,000 of bonds to assist in the financing and construction of Christel House Academy.

The lease entered into between CHI and the Academy is for a term of 25 years commencing on July 1, 2009. Future rent payments due from the Academy are shown below. Rent receivable under this lease agreement is \$740 and \$707 as of December 31, 2012 and 2011, respectively. This rent receivable is included in accounts receivable balances.

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

	<u>2012</u>	<u>2011</u>
Buildings	\$ 15,704	\$ 15,704
Land improvements	363	363
	<u>16,067</u>	<u>16,067</u>
Accumulated depreciation	(3,202)	(2,791)
	<u>12,865</u>	<u>13,276</u>
Land	2,233	2,233
	<u>\$ 15,098</u>	<u>\$ 15,509</u>

**Christel House International, Inc. and Affiliates**  
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Future lease payments due from Christel House Academy, Inc. at December 31, 2012 were:

2013	\$	1,023
2014		1,012
2015		1,000
2016		991
2017		981
Thereafter		4,871
	<u>\$</u>	<u>9,878</u>

**Note 5: Property and Equipment**

Christel House's property and equipment are as follows:

	<u>2012</u>	<u>2011</u>
Buildings	\$ 7,108	\$ 7,169
Land	642	628
Leasehold improvements	388	360
Furniture and equipment	1,267	1,237
Computer hardware and software	1,390	1,480
Books and educational materials	252	267
Motor vehicles	238	248
	<u>11,285</u>	<u>11,389</u>
Accumulated depreciation	<u>(3,996)</u>	<u>(3,804)</u>
	<u>\$ 7,289</u>	<u>\$ 7,585</u>

**Note 6: Bonds Payable**

The Indiana Development Finance Authority issued its \$14,000 Variable Rate Demand Educational Facilities Revenue Bonds, Series 2003 (Christel House, Inc. Project) (2003 Bonds) in February 2003. The proceeds from the 2003 Bonds were loaned to CHI for acquisition, construction, installation and equipping of the Christel House Academy. Principal on this loan is due annually on February 1, and interest is due monthly on the first day of each month. The interest rate mode at December 31, 2012 was weekly, and the interest rate is reset on a weekly basis by the remarketing agreement. CHI can periodically elect to change the interest rate modes as specified in the trust indenture. The interest rate in effect at December 31, 2012 was 0.24%. CHI pays the remarketing agent an annual fee of 0.075% of the outstanding principal balance on the loan. The 2003 Bonds mature February 1, 2023. CHI has agreed to redeem these bonds in the principal amounts and on the dates set forth in the reimbursement agreement with the bank. Furthermore, CHI has the option to redeem or repay these bonds prior to maturity, partially or in full, subject to the redemption terms and pricing set forth in the trust indenture.

**Christel House International, Inc. and Affiliates**  
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The 2003 Bonds are secured by a reimbursement agreement and an irrevocable letter of credit in a maximum amount up to \$14,173, which expires February 15, 2016. The reimbursement agreement and letter of credit are secured by a "Continuing Guaranty Agreement" which is in effect for the term of the reimbursement agreement. The guarantor is Christel DeHaan, CHI's Founder, President and Chief Executive Officer. The guarantor must submit certain reports attesting to the guarantor's net marketable asset position being at least two times the outstanding principal amount of the bonds. There are also other covenants with which the guarantor has agreed to comply. The beneficiary and trustee, Fifth Third Bank, holds the option to extend the expiration date of this letter of credit. This letter of credit will be reduced as the bond principal is repaid. There is an annual letter of credit fee of 0.68% of the outstanding principal balance. If the letter of credit is exercised, repayment is due on demand, with interest of prime plus 8%.

Issuance costs in the amount of \$293 were capitalized during 2003 and are being amortized over 20 years. Unamortized issuance costs as of December 31, 2012 and 2011 were \$148 and \$162, respectively.

The future maturities of bonds payable are as follows:

2013	\$	680
2014		700
2015		720
2016		740
2017		765
Thereafter		<u>5,100</u>
	<u>\$</u>	<u>8,705</u>

Interest expense for the years ended December 31, 2012 and 2011 was \$23 and \$35, respectively.

**Note 7: Leases**

Noncancellable operating leases for office space expire in various years through 2014. A new lease was signed in 2013, which will extend the lease period through 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, 2012 and 2011 was \$192 and \$175, respectively. Rent expense is recognized on a straight-line basis.

**Christel House International, Inc. and Affiliates**  
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Future minimum lease payments at December 31, 2012, were:

2013	\$	163
2014		83
2015		150
2016		152
2017		154
Thereafter		632

**Note 8: Related Party Transactions**

Contributions from Christel DeHaan, CHI's Founder, President and Chief Executive Officer, can and have varied significantly from year to year resulting in significant swings in the financial results reflected on CHI's combined and consolidated statement of activities. During 2012 and 2011, CHI received \$6,701 and \$1,221, respectively, from Ms. DeHaan. The average annual Founder contribution for the five-year period from 2007 through 2011 was \$7,444.

In 2012 and 2011, CHI expensed \$1,362 and \$1,351, respectively, in payroll related costs that were originally paid by CD Enterprises, Ltd. (CDE), a related party. Included in these expenses was \$89 and \$72 for CHI employer contributions to CDE's 401(k) plan for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, CHI had an outstanding liability balance of \$254 and \$235, respectively, related to these payroll costs, which is included in accrued payroll and other on the combined and consolidated statements of financial position.

As discussed in Note 4, Christel House leases property to the Christel House Academy, Inc., and also provides grants to several affiliates.

**Note 9: Conditional Contribution**

During 2012, CHI was awarded a grant to develop, create and maintain a network of exceptional public charter schools in Marion County, Indiana. This contribution is contingent upon specific performance-based benchmarks that must be met prior to approval of the next phase of funding. As of December 31, 2012, CHI has recognized contribution revenues of \$250,000 under this grant. This is a multi-year award and projected future funding of \$750,000 will continue through grant completion.

**Christel House International, Inc. and Affiliates**  
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**Note 10: Net Assets**

***Temporarily Restricted Net Assets***

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

	<b>2012</b>	<b>2011</b>
Contributions restricted for periods after December 31	\$ 22,293	\$ 18,868
Capital projects	877	1,932
Learning center programs and services	567	369
Nutritional support	73	77
Parent workshops	20	-
Other programs	162	13
	<u>\$ 23,992</u>	<u>\$ 21,259</u>

Each year, CHI releases 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 children of Christel House.

***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.

	<b>2012</b>	<b>2011</b>
Time restrictions	\$ 3,892	\$ 9,723
Capital projects	1,191	1,003
Nutritional support	80	11
Learning center programs and services	1,470	1,604
Parent workshops	10	5
Other programs	4	105
	<u>\$ 6,647</u>	<u>\$ 12,451</u>

**Christel House International, Inc. and Affiliates**  
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**Note 11: 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

Following is a description of the valuation methodologies and inputs used for assets 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 pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2012. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

***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. See the table below for inputs and valuation techniques used for Level 3 securities.

The value of certain investments, classified as alternative investments, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which Christel House expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which Christel House does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3.

**Christel House International, Inc. and Affiliates**  
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Fair value determinations for Level 3 measurements of securities are the responsibility of Christel House personnel. Christel House personnel contract with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. Christel House personnel challenge the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States. As previously noted, Christel House's alternative investments are valued at net asset value or its equivalent and classified within the fair value hierarchy based on Christel House's ability to redeem the fund within a reasonable period of time.

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, 2012 and 2011:

	Fair Value	2012 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)
Cash equivalents				
Money market mutual funds	\$ 5,613	\$ 5,613	\$ -	\$ -
Investments				
Certificates and investment cash	4,115	4,115	-	-
Commodities	374	374	-	-
Equities				
North America	4,231	4,231	-	-
International	903	903	-	-
Government agencies				
North America	2,753	972	1,781	-
International	412	412	-	-
Corporate obligations	2,186	-	2,186	-
Municipal obligations	231	-	231	-
Equity and debt long/short				
hedge funds	500	-	500	-
Distressed debt funds	752	-	-	752
Private investment partnership				
funds	3,296	-	3,296	-
Multi-asset fund	25	-	25	-
Emerging markets	1,506	-	1,506	-
International equity	733	-	733	-
Private equity	312	-	-	312
Total assets	<u>\$ 27,942</u>	<u>\$ 16,620</u>	<u>\$ 10,258</u>	<u>\$ 1,064</u>



**Christel House International, Inc. and Affiliates**  
**Notes to Combined and Consolidated Financial Statements**  
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	2011			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash equivalents				
Money market mutual funds	\$ 1,240	\$ 1,240	\$ -	\$ -
Investments				
Certificates and investment cash	4,987	4,987	-	-
Commodities	320	320	-	-
Equities				
North America	3,744	3,744	-	-
International	712	712	-	-
Government agencies				
North America	2,504	971	1,533	-
International	736	736	-	-
Corporate obligations	1,761	-	1,761	-
Municipal obligations	206	-	206	-
Equity and debt long/short hedge funds	687	-	687	-
Distressed debt funds	2,420	-	-	2,420
Private investment partnership funds	1,608	-	1,608	-
Multi-asset fund	1,027	-	1,027	-
Emerging markets	1,150	-	1,150	-
International equity	1,283	-	1,283	-
Private equity	150	-	-	150
Total assets	<u>\$ 24,535</u>	<u>\$ 12,710</u>	<u>\$ 9,255</u>	<u>\$ 2,570</u>

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying combined and consolidated statements of financial position using significant unobservable (Level 3) inputs:

	Distressed Debt		Private Equity	
	2012	2011	2012	2011
Balance, January 1	\$ 2,420	\$ 2,617	\$ 150	\$ -
Total realized and unrealized gains (losses)	(250)	400	(22)	-
Purchases	45	25	184	150
Sales	(1,463)	(622)	-	-
Balance, December 31	<u>\$ 752</u>	<u>\$ 2,420</u>	<u>\$ 312</u>	<u>\$ 150</u>

**Christel House International, Inc. and Affiliates**  
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Realized and unrealized gains and losses for items reflected in the table above are included in the change in net assets in the combined and consolidated statements of activities as follows:

	<b>Distressed Debt</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Change in Net Assets From Operations</b>	<b>Other Gains and Losses</b>	<b>Change in Net Assets From Operations</b>	<b>Other Gains and Losses</b>
Total gains and losses	\$ -	\$ (250)	\$ -	\$ 400
Change in unrealized gains or losses relating to assets still held at the statement of financial position date	-	(250)	-	400

	<b>Private Equity</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Change in Net Assets From Operations</b>	<b>Other Gains and Losses</b>	<b>Change in Net Assets From Operations</b>	<b>Other Gains and Losses</b>
Total gains and losses	\$ -	\$ (22)	\$ -	\$ -
Change in unrealized gains or losses relating to assets still held at the statement of financial position date	-	(22)	-	-

***Unobservable (Level 3) Inputs***

The following table presents quantitative information about unobservable inputs used in Level 3 fair value measurements:

	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range (Weighted- Average)</b>
Distressed debt funds	\$ 752	Net Asset Value	Lack of redeemability/liquidity in the following 12 months	0%
Private equity	312	Net Asset Value	Lack of redeemability/liquidity in the following 12 months	0%

**Christel House International, Inc. and Affiliates**  
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**Note 12: Concentration**

Christel House received approximately 54% and 19% of its contribution revenue from the Founder in 2012 and 2011, respectively.

**Note 13: Commitments and Contingencies**

Christel House is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the combined and consolidated financial position, change in net assets and cash flows of Christel House. Events could occur that would change this estimate materially in the near term.

## **Supplementary Information**

**Christel House International, Inc. and Affiliates**  
**Combining and Consolidating Statement of Financial Position**  
**December 31, 2012**  
**(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
<b>Assets</b>							
Cash and cash equivalents							
Unrestricted	\$ 2,719	\$ 145	\$ 9	\$ 22	\$ 54	\$ -	\$ 2,949
Temporarily restricted	2,302	248	9	96	9	-	2,664
Investments							
Unrestricted	567	25	6	1,916	-	-	2,514
Temporarily restricted	19,536	-	-	279	-	-	19,815
Accounts receivable	1,676	9	-	37	-	-	1,722
Contributions receivable	1,274	-	317	11	-	-	1,602
Other assets	82	13	67	35	-	-	197
Bond issue costs, net	148	-	-	-	-	-	148
Rental property - Christel House Academy	15,098	-	-	-	-	-	15,098
Property and equipment	39	1,944	1,110	4,196	-	-	7,289
	<u>39</u>	<u>1,944</u>	<u>1,110</u>	<u>4,196</u>	<u>-</u>	<u>-</u>	<u>7,289</u>
Total assets	<u>\$ 43,441</u>	<u>\$ 2,384</u>	<u>\$ 1,518</u>	<u>\$ 6,592</u>	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 53,998</u>
<b>Liabilities</b>							
Accounts payable	\$ 49	\$ 6	\$ 6	\$ 170	\$ -	\$ -	\$ 231
Accrued payroll and other	272	194	79	179	30	-	754
Bonds payable	8,705	-	-	-	-	-	8,705
Total liabilities	<u>9,026</u>	<u>200</u>	<u>85</u>	<u>349</u>	<u>30</u>	<u>-</u>	<u>9,690</u>
<b>Net Assets</b>							
Unrestricted	11,303	1,936	1,107	5,946	24	-	20,316
Temporarily restricted	23,112	248	326	297	9	-	23,992
Total net assets	<u>34,415</u>	<u>2,184</u>	<u>1,433</u>	<u>6,243</u>	<u>33</u>	<u>-</u>	<u>44,308</u>
Total liabilities and net assets	<u>\$ 43,441</u>	<u>\$ 2,384</u>	<u>\$ 1,518</u>	<u>\$ 6,592</u>	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 53,998</u>

**Christel House International, Inc. and Affiliates**  
**Combining and Consolidating Statement of Financial Position**  
**December 31, 2011**  
**(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
<b>Assets</b>							
Cash and cash equivalents							
Unrestricted	\$ 577	\$ 148	\$ 39	\$ 29	\$ 111	\$ -	\$ 904
Temporarily restricted	242	-	3	91	-	-	336
Investments							
Unrestricted	605	1,300	216	2,493	-	-	4,614
Temporarily restricted	18,365	45	24	247	-	-	18,681
Accounts receivable	1,136	1	20	95	-	(36)	1,216
Contributions receivable	2,025	-	307	-	-	-	2,332
Other assets	81	27	41	21	-	-	170
Bond issue costs, net	162	-	-	-	-	-	162
Rental property - Christel House Academy	15,509	-	-	-	-	-	15,509
Property and equipment	57	1,850	1,210	4,468	-	-	7,585
	<u>38,759</u>	<u>3,371</u>	<u>1,860</u>	<u>7,444</u>	<u>111</u>	<u>(36)</u>	<u>51,509</u>
Total assets	<u>\$ 38,759</u>	<u>\$ 3,371</u>	<u>\$ 1,860</u>	<u>\$ 7,444</u>	<u>\$ 111</u>	<u>\$ (36)</u>	<u>\$ 51,509</u>
<b>Liabilities</b>							
Accounts payable	\$ 166	\$ 6	\$ 5	\$ 128	\$ -	\$ -	\$ 305
Accrued payroll and other	261	112	94	180	77	(36)	688
Bonds payable	9,365	-	-	-	-	-	9,365
Total liabilities	<u>9,792</u>	<u>118</u>	<u>99</u>	<u>308</u>	<u>77</u>	<u>(36)</u>	<u>10,358</u>
<b>Net Assets</b>							
Unrestricted	8,335	3,208	1,427	6,888	34	-	19,892
Temporarily restricted	20,632	45	334	248	-	-	21,259
Total net assets	<u>28,967</u>	<u>3,253</u>	<u>1,761</u>	<u>7,136</u>	<u>34</u>	<u>-</u>	<u>41,151</u>
	<u>\$ 38,759</u>	<u>\$ 3,371</u>	<u>\$ 1,860</u>	<u>\$ 7,444</u>	<u>\$ 111</u>	<u>\$ (36)</u>	<u>\$ 51,509</u>
Total liabilities and net assets	<u>\$ 38,759</u>	<u>\$ 3,371</u>	<u>\$ 1,860</u>	<u>\$ 7,444</u>	<u>\$ 111</u>	<u>\$ (36)</u>	<u>\$ 51,509</u>

**Christel House International, Inc. and Affiliates**  
**Combining and Consolidating Statement of Activities**  
**Year Ended December 31, 2012**  
**(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
<b>Revenue, Gains and Other Support</b>							
Contributions	\$ 7,922	\$ 293	\$ 127	\$ 556	\$ 94	\$ -	\$ 8,992
Direct contributions	31	267	116	263	17	(694)	-
CHI funding	-	180	283	1,847	57	(2,367)	-
In-kind contributions	313	61	68	291	6	-	739
Special events (net of expenses of \$156)	513	27	26	30	61	-	657
Grants	712	59	416	548	-	-	1,735
Investment income (net of expenses of \$86)	573	30	19	107	-	-	729
Rental income - Christel House Academy	1,195	-	-	-	-	-	1,195
Other	57	10	1	13	9	-	90
Total revenue, gains and other support	<u>11,316</u>	<u>927</u>	<u>1,056</u>	<u>3,655</u>	<u>244</u>	<u>(3,061)</u>	<u>14,137</u>
<b>Expenses</b>							
Program services							
Grants	3,800	4	-	-	153	(3,061)	896
Academics	1,041	1,666	981	3,941	-	-	7,629
	<u>4,841</u>	<u>1,670</u>	<u>981</u>	<u>3,941</u>	<u>153</u>	<u>(3,061)</u>	<u>8,525</u>
Management and general	705	168	105	166	27	-	1,171
Fundraising	1,171	373	222	245	66	-	2,077
Total expenses	<u>6,717</u>	<u>2,211</u>	<u>1,308</u>	<u>4,352</u>	<u>246</u>	<u>(3,061)</u>	<u>11,773</u>
<b>Change in Net Assets From Operations</b>	4,599	(1,284)	(252)	(697)	(2)	-	2,364
<b>Other Gains and Losses</b>							
Realized gain on investments	687	-	-	-	-	-	687
Unrealized gain on investments	162	-	-	-	-	-	162
Foreign currency translation adjustment	-	215	(76)	(196)	1	-	(56)
<b>Change in Net Assets</b>	5,448	(1,069)	(328)	(893)	(1)	-	3,157
<b>Net Assets, Beginning of Year</b>	<u>28,967</u>	<u>3,253</u>	<u>1,761</u>	<u>7,136</u>	<u>34</u>	<u>-</u>	<u>41,151</u>
<b>Net Assets, End of Year</b>	<u>\$ 34,415</u>	<u>\$ 2,184</u>	<u>\$ 1,433</u>	<u>\$ 6,243</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ 44,308</u>

**Christel House International, Inc. and Affiliates**  
**Combining and Consolidating Statement of Activities**  
**Year Ended December 31, 2011**  
**(Amounts in Thousands)**

	Christel House International, Inc.	Christel House de Mexico, A.C.	Christel House Venezuela, A.C.	Christel House India	Christel House South Africa	Christel House Europe	Eliminations	Total
<b>Revenue, Gains and Other Support</b>								
Contributions	\$ 2,541	\$ 221	\$ -	\$ 185	\$ 681	\$ 94	\$ -	\$ 3,722
Direct contributions	173	360	-	86	200	-	(819)	-
CHI funding	-	2,297	-	934	5,196	100	(8,527)	-
In-kind contributions	243	9	-	26	105	19	-	402
Special events (net of expenses of \$164)	487	9	-	-	66	28	-	590
Grants	290	272	-	398	553	-	-	1,513
Investment income (net of expenses of \$43)	348	21	-	24	42	-	-	435
Rental income - Christel House Academy	1,164	-	-	-	-	-	-	1,164
Other	110	-	-	1	15	-	-	126
Total revenue, gains and other support	<u>5,356</u>	<u>3,189</u>	<u>-</u>	<u>1,654</u>	<u>6,858</u>	<u>241</u>	<u>(9,346)</u>	<u>7,952</u>
<b>Expenses</b>								
Program services								
Grants	11,809	4	-	-	-	116	(11,248)	681
Academics	1,122	1,552	-	1,029	3,976	-	-	7,679
	<u>12,931</u>	<u>1,556</u>	<u>-</u>	<u>1,029</u>	<u>3,976</u>	<u>116</u>	<u>(11,248)</u>	<u>8,360</u>
Management and general	735	157	-	102	136	20	-	1,150
Fundraising	1,074	232	-	206	193	93	-	1,798
Total expenses	<u>14,740</u>	<u>1,945</u>	<u>-</u>	<u>1,337</u>	<u>4,305</u>	<u>229</u>	<u>(11,248)</u>	<u>11,308</u>
<b>Change in Net Assets From Operations</b>	(9,384)	1,244	-	317	2,553	12	1,902	(3,356)
<b>Other Gains and Losses</b>								
Realized gain on investments	191	-	-	-	-	-	-	191
Unrealized loss on investments	(797)	-	-	-	-	-	-	(797)
Foreign currency translation adjustment	-	(347)	-	(265)	(1,317)	(1)	-	(1,930)
<b>Change in Net Assets From Continuing Operations</b>	(9,990)	897	-	52	1,236	11	1,902	(5,892)
<b>Loss on Discontinued Operations</b>	-	-	(668)	-	-	-	(1,902)	(2,570)
<b>Change in Net Assets</b>	(9,990)	897	(668)	52	1,236	11	-	(8,462)
<b>Net Assets, Beginning of Year</b>	<u>38,957</u>	<u>2,356</u>	<u>668</u>	<u>1,709</u>	<u>5,900</u>	<u>23</u>	<u>-</u>	<u>49,613</u>
<b>Net Assets, End of Year</b>	<u>\$ 28,967</u>	<u>\$ 3,253</u>	<u>\$ -</u>	<u>\$ 1,761</u>	<u>\$ 7,136</u>	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ 41,151</u>



**Christel House International, Inc. and Affiliates**  
**Combined and Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2012**  
**(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	\$ -	\$ 4,095	\$ 4,095	\$ 788	\$ 1,206	\$ 6,089
Direct grants	896	-	896	-	-	896
Outside services	-	115	115	138	49	302
Course materials/supplies	-	466	466	-	-	466
Medicine/laboratories	-	17	17	-	-	17
Nutritional support	-	661	661	-	14	675
Sales and marketing	-	-	-	-	531	531
Travel and entertainment	-	25	25	34	114	173
Vehicle/transportation expense	-	506	506	1	4	511
Rent and facilities	-	550	550	85	64	699
Depreciation and amortization	-	1,004	1,004	30	4	1,038
Interest expense/bond fees	-	98	98	-	-	98
Other	-	92	92	95	91	278
	<u>\$ 896</u>	<u>\$ 7,629</u>	<u>\$ 8,525</u>	<u>\$ 1,171</u>	<u>\$ 2,077</u>	<u>\$ 11,773</u>
Total expenses	\$ 896	\$ 7,629	\$ 8,525	\$ 1,171	\$ 2,077	\$ 11,773

**Christel House International, Inc. and Affiliates**  
**Combined and Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2011**  
**(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	\$ -	\$ 4,033	\$ 4,033	\$ 717	\$ 1,103	\$ 5,853
Direct grants	681	-	681	-	-	681
Outside services	-	167	167	160	159	486
Course materials/supplies	-	416	416	-	-	416
Medicine/laboratories	-	31	31	-	-	31
Nutritional support	-	645	645	-	-	645
Sales and marketing	-	-	-	-	303	303
Travel and entertainment	-	29	29	56	80	165
Vehicle/transportation expense	-	480	480	2	3	485
Rent and facilities	-	473	473	81	61	615
Depreciation and amortization	-	1,121	1,121	38	4	1,163
Interest expense/bond fees	-	116	116	-	-	116
Other	-	168	168	96	85	349
	<u>\$ 681</u>	<u>\$ 7,679</u>	<u>\$ 8,360</u>	<u>\$ 1,150</u>	<u>\$ 1,798</u>	<u>\$ 11,308</u>