2016 HIGHLIGHTS

- Provided access to a quality charter school education to 7,200 more students
- Enabled 19 quality charter schools to open in five states and the District of Columbia
- Added 5 new back-office support services clients
- Saved our charter school clients more than $1.6 million due to our lending at below market rates
- Acquired and developed $29 million in school buildings to lease, at below market rates, to four schools
- Received $9 million in new funding

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If you are reading this annual report, it is likely that you believe as we do: that every child in our great nation deserves a quality education.

In the past 10 years, enrollment in charter schools has increased by 100%—and the reason is that charter schools are working. Fifteen of the 16 academic studies published since 2010 found that students in charter schools do better in school than their traditional school peers. One of those studies, by the Center for Research on Educational Outcomes at Stanford University, found that charter schools do a better job than traditional schools at teaching low income students, minority students, and students who are still learning English.

That is why Building Hope decided almost 15 years ago to invest in the growth of quality charter schools and help close the educational achievement gap. And the gap is shrinking, as research shows children who attend charter schools are more likely to graduate from high school than their traditional school peers.

When we began in 2003, there were very few organizations that provided what Building Hope did. Our focus is on mission, not profits—a fact that was a huge differentiator then, and still is today. What also sets us apart is our unique capital structure that allows us to provide flexible financing solutions to meet each of our school client’s needs. And, as a nonprofit, we provide these funds at below market rates, allowing schools to save on facilities costs so they can spend more money on educating their students.

We are fortunate to have partners, donors and investors who share our vision. Together, we have helped establish or improve hundreds of charter schools across the country, and provided direct loans and credit enhancements to support over $1 billion in school construction.

We are also continuing to grow to meet the needs of the charter school community. In 2016, we increased our staff by 30%, secured over $30 million in capital, and doubled the number of projects in our real estate development practice.

In 2017, Building Hope will continue to expand our successful model to other areas that are seeking to grow the number of quality charter schools. We have opened a new office in Texas and are extending access to affordable facilities in rural America. We are also partnering with new individual and institutional investors, as well as philanthropic and government organizations. These strategies will allow us to continue to invest in our real estate development practice to help more charter schools find turnkey facility solutions.

We are proud of our history supporting education reform in this country, and the strides the charter school sector has made toward leveling the educational playing field for all children. Working together, we have made charter schools a success story, and we are optimistic about the impact we can have moving forward on behalf of children across the country.

With best wishes,

Marianne M. Keler
Board Chair

S. Joseph Bruno
President
SCHOOL YEAR FACILITIES FINANCING SUCCESS STORY

Joel Lovstedt’s charter school had long outgrown its leased space, a 1930s-era building in Pocatello, Idaho. Lovstedt had ambitious plans for a new facility twice as large — one that boasted a gym instead of a coal cellar. But every time Lovstedt approached a bank, he got the same response: “To them, we were basically a small business. They were willing to help us until they found out we didn’t have any equity or credit rating. It was discouraging.”

That’s when Building Hope stepped in. Partnering with the J.A. and Kathryn Albertson Family Foundation, Building Hope secured financing, including a $2.26 million direct loan, to build a new, $6.4 million facility a few miles away. In August, Connor Academy Charter School welcomed nearly 500 students, up from 276 a year earlier, with a wait list of some 200 names. The new, two-story facility has a gym, a science lab and 25 classrooms that are two-thirds larger than before.

“I could never have done this on my own,” says Principal Lovstedt. “I’m a school administrator. I can tell you how to teach and maintain discipline, but I don’t know how to get a loan for a new building.”

He says Building Hope encouraged him to dream big, asking if the original design plans were sufficient. “They asked, ‘Is this the best layout possible to give you an outstanding school? There’s no point in sacrificing to have a mediocre building.’ The result, he says, is “a model school, a jewel.”

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Connor Academy
Charter School
Chubbuck, ID

Project Description
Facilities Financing

Site Description
50,000-square-foot new building

Current/Projected Enrollment
480/560 (grades K-8)

Website
academycharter.net
OUR SERVICES
Real Estate Development

Building Hope offers a turnkey facility development program that provides public charter schools with custom-built facility solutions. Our integrated team works with schools to turn their unique ideas into a state-of-the-art learning environment. Our approach is based on communication, collaboration and transparency. In partnership with the schools, we manage the site selection, due diligence, financing, and predevelopment and development management so that school leaders can continue to focus on high-quality education outcomes. As a nonprofit, our turnkey program is offered at below-market rates with below-market purchase options that allow resources to be directed toward a better project or, ideally, back into the program.

SCHOOL YEAR REAL ESTATE DEVELOPMENT SUCCESS STORY

When Athenian Academy Charter School was looking to expand, it set its sights on a nearby parcel of land in Clearwater, Florida. The site had a former church building and lots of room to grow on its nearly five acres. But while finding the site was relatively easy, purchasing it was something else. “The acquisition of the land was the hardest part,” says Alex Veloudos, business manager of the school, which was started by his in-laws in 2000. “We had to find someone to back us up financially.”

The academy turned to Building Hope. “Once they got involved, then it was simply a matter of getting all the paperwork done,” Veloudos says. “We closed in a matter of four or five months, with most of that time taken up by rezoning issues.”

Building Hope committed $1.5 million to buy the land and $4.9 million to renovate the existing 10,000-square-foot building and build a 30,000-square-foot, two-story addition. When the work was done, the academy had four new classrooms, new restrooms and a remodeled lunchroom. The school, which specializes in Greek language and Spanish enrichment, now has 300 students, a 50% increase from 2014-2015.

The school has a five-year lease with Building Hope that runs through August 2020 and has a buyout provision. “They want to be bought out, and we want to buy them out,” Veloudos says. “That’s the plan.”

<table>
<thead>
<tr>
<th>Athenian Academy Charter School</th>
<th>Project Description</th>
<th>Site Description</th>
<th>Current/Projected Enrollment</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearwater, FL</td>
<td>Real Estate Development</td>
<td>Purchase, renovation, construction on 4.98-acre site</td>
<td>300/400-600</td>
<td>athenianacademy.org</td>
</tr>
</tbody>
</table>

Alex Veloudos, Business Manager
Athenian Academy Charter School
OUR SERVICES

Project Management

Having worked hand in hand with hundreds of charter schools over the years, we are experts in every aspect of building a state-of-the-art educational facility, and as project managers we draw on that expertise to act as trusted advocates for the schools that engage us.

SCHOOL YEAR PROJECT MANAGEMENT SUCCESS STORY

Elizabeth Torres knew early on that she wanted Building Hope involved in making her idea for an international curriculum-based charter school a reality. “In my view, they’re the most knowledgeable entity around that handles charter school facilities,” says Torres, director and co-founder of Washington Global Public Charter School in the nation’s capital. Building Hope’s project management strategy began by helping Torres and her supporters through the facilities section of the year-long, 300-page application process, which culminated in 2014. Then the organization led the search for a suitable school site and, once found, oversaw the design and construction work to turn that site, a five-story commercial office building in Southwest Washington, into a modern, tech-savvy middle school.

“In addition, Building Hope helped secure below-market financing to get the school up and running until enrollment is able to basically pay the facility’s cost,” says Torres. Washington Global opened in August 2015 with 102 students in grades 6 and 7. It will add 8th graders and grow to 180 students for the 2016-2017 school year, with 240 students projected by 2019.

Torres says it’s hard to imagine having achieved any of this without Building Hope, which she further credits as “instrumental” in helping the school get a 25-year, renewable lease on its “fantastic location” just three blocks from the National Mall. And, with Washington Global now in phase two of its development, Building Hope “continues to be important,” she says. “It’s not like they find a school site and move on. They provide ongoing support.”

Washington Global Public Charter School
Washington, DC

Project Description
Project Management

Site Description
Commercial office space 25,000-30,000 square ft.

Current/Projected Enrollment
102/240 (grades 6-8)

Website
washingtonglobal.org
Incubator Space

One way Building Hope eases the facilities challenge on charter school leaders is to provide incubator space. Incubator space is favorable to charter schools from an economic perspective, as rents are based on actual enrollment levels rather than fair market value. Thus, schools can focus on building enrollment and academic programs while channeling the funds they save on lower rent payments into education programs.

SCHOOL YEAR INCUBATOR SPACE SUCCESS STORY

At least four other charter schools previously occupied the commercial property that the new District of Columbia International School (DCI) was looking to lease back in 2014. That’s a lot of wear and tear on any building, but especially one that’s several decades old. The drywall needed patching, the floors and pipes needed repairs, the vents had to be cleaned and everything needed a fresh coat of paint.

“The site was not ready for our students,” Mary Shafrner, DCI’s executive director, says of the 200 6th and 7th graders who had enrolled. But the biggest challenge was timing. Because schools operate on the same calendar, a departing tenant can’t leave before the end of the school year, and the incoming school has to be up and ready for the start of the next one.

“We wouldn’t have gotten in on time without Building Hope,” Shafrner says. “They signed the lease for us because we didn’t have any history. They take the risk for you. And they didn’t wait for the landlord to make any repairs. They took care of it. And they continue to support us.”

DCI plans to expand its language-immersion program in the 2017-2018 school year by moving into a larger facility on the old Walter Reed Army Medical Center grounds a few miles up 16th Street. A major renovation/expansion project is planned — again, with Building Hope taking the lead. Shafrner expects to have 1,450 students, in grades 6 through 12, by 2023.
OUR SERVICES

Back-Office Business Support

Charter schools are a business whose primary mission is to educate children. And like all businesses, they are responsible for the back office operations, including accounting, personnel and information technology. Some schools, especially start-ups, lack the staff and the resources to perform these functions. Building Hope provides quality back-office business services to charter schools at below-market rates. By contracting with Building Hope to support their operations, charter schools can direct more time and financial resources toward educating students.

CLIENT TESTIMONIAL

With five campuses—soon to be six—in two Florida public school districts, Franklin Academy Charter School recognizes the importance of consolidating its office support services. “This is a crucial task. And while quite a few individual schools do it on their own, we’ve found it to be cost-effective to outsource with Building Hope,” says Tom Rogers, a Franklin representative.

Building Hope manages the academy’s day-to-day bookkeeping, accounts payable and receivable, payroll processing, human resources, and budgeting and forecasting. Its comprehensive array of services include handling compliance with school district reporting requirements (e.g., annual audits). And, working with the Florida Department of Education, it conducts annual training in financial management and budget compliance, not just for Franklin but for every charter school in the state.

“Building Hope is the gold standard in Florida for financial compliance and charter school support services,” Rogers says. “Their competence is recognized throughout the state.” Specifically, Building Hope offers the experience of certified public accountants, banking professionals and charter school leaders. Having these resources at hand “allows us to focus on our primary mission: education,” Rogers adds.

“Could we have done this ourselves? Yes, but we’d be crazy to undertake it, given the expertise and services that Building Hope provides.”
### Direct Loans, Credit Enhancements, Square Feet, Project Costs, Number of Students (2003/2004/2005 - 2016)

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Loans ($)</th>
<th>Credit Enhancements ($)</th>
<th>Square Feet</th>
<th>Project Costs ($)</th>
<th>Number of Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/04</td>
<td>14,247,000</td>
<td>20,715,000</td>
<td>871,000</td>
<td>109,317,400</td>
<td>7,570</td>
</tr>
<tr>
<td>2006</td>
<td>5,700,000</td>
<td>2,890,000</td>
<td>276,600</td>
<td>64,436,700</td>
<td>2,840</td>
</tr>
<tr>
<td>2007</td>
<td>7,500,000</td>
<td>400,000</td>
<td>234,400</td>
<td>74,923,500</td>
<td>3,140</td>
</tr>
<tr>
<td>2008</td>
<td>14,605,000</td>
<td>2,565,000</td>
<td>668,000</td>
<td>126,342,600</td>
<td>7,210</td>
</tr>
<tr>
<td>2009</td>
<td>19,660,000</td>
<td>3,056,000</td>
<td>889,400</td>
<td>179,976,500</td>
<td>7,310</td>
</tr>
<tr>
<td>2010</td>
<td>14,986,000</td>
<td>1,885,000</td>
<td>712,000</td>
<td>108,714,400</td>
<td>7,160</td>
</tr>
<tr>
<td>2011</td>
<td>16,280,000</td>
<td>1,250,000</td>
<td>575,300</td>
<td>68,827,800</td>
<td>7,760</td>
</tr>
<tr>
<td>2012</td>
<td>13,950,000</td>
<td>3,150,000</td>
<td>664,800</td>
<td>87,987,700</td>
<td>11,110</td>
</tr>
<tr>
<td>2013</td>
<td>16,498,000</td>
<td>1,386,000</td>
<td>231,400</td>
<td>39,200,000</td>
<td>3,760</td>
</tr>
<tr>
<td>2014</td>
<td>16,166,000</td>
<td>1,900,000</td>
<td>550,400</td>
<td>116,532,000</td>
<td>5,060</td>
</tr>
<tr>
<td>2015</td>
<td>10,354,000</td>
<td>6,600,000</td>
<td>560,800</td>
<td>108,571,800</td>
<td>4,590</td>
</tr>
<tr>
<td>2016</td>
<td>17,905,000</td>
<td>800,000</td>
<td>495,500</td>
<td>162,123,500</td>
<td>5,770</td>
</tr>
<tr>
<td>Total</td>
<td>167,850,000</td>
<td>46,596,000</td>
<td>6,729,700</td>
<td>1,246,954,000</td>
<td>73,270</td>
</tr>
</tbody>
</table>

### Real Estate Development (FY 2016)

<table>
<thead>
<tr>
<th>Year</th>
<th>Facilities</th>
<th>Investment ($)</th>
<th>Facility</th>
<th>Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1</td>
<td>7,100,000</td>
<td>40,000</td>
<td>600</td>
</tr>
<tr>
<td>2015</td>
<td>4</td>
<td>31,114,000</td>
<td>175,700</td>
<td>2,190</td>
</tr>
<tr>
<td>2016</td>
<td>3</td>
<td>28,700,000</td>
<td>90,000</td>
<td>1,430</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>66,914,000</td>
<td>305,700</td>
<td>4,220</td>
</tr>
</tbody>
</table>
## SUMMARY FINANCIAL INFORMATION

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Income</td>
<td>$1,667,000</td>
</tr>
<tr>
<td>Grants and Donations</td>
<td>$3,825,000</td>
</tr>
<tr>
<td>Investment Income</td>
<td>$3,594,000</td>
</tr>
<tr>
<td>Professional Services Fees</td>
<td>$2,879,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants Made to Schools (including subsidized interest)</td>
<td>$1,950,000</td>
</tr>
<tr>
<td>Professional Services Expenses</td>
<td>$2,488,000</td>
</tr>
<tr>
<td>Programs and Administrative Expenses</td>
<td>$5,426,000</td>
</tr>
</tbody>
</table>

| Assets                                      | $88,036,000 |
| Liabilities                                 | $38,332,000 |
| Fund Balance                                | $49,704,000 |
We appreciate the generous support of our partners and funders that are helping us realize our vision of communities where underserved children have access to a quality K-12 education and an equal opportunity to achieve success in life.
BOARD OF DIRECTORS

Building Hope is governed by a small and cohesive Board of Directors whose members share a commitment to providing quality K-12 educational opportunities for students nationwide.

Marianne M. Keler, Chair
Partner, Keler & Kershow PLLC

J. Fernando Barrueta, Director and Audit Committee Chair
Managing Director
Colliers International

Albert A. D’Alessandro, Director and Credit Committee Chair
Founder, Financial Solutions, LLC

Joseph M. Muffler, Director
Vice President of Real Estate and Asset Protection, Navient

William P. Quinby, Director
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Sheila Ryan-Macie, Director
Senior Vice President and Chief of Staff Navient

Patricia Lawicki, Director
Chief Information Officer, Navient

Priya Jayachandran, Director
Volunteers of America
Director of Housing Development

OUR TEAM

Building Hope is led day to day by our president, S. Joseph Bruno, and a team of dedicated staff with decades of experience in finance, accounting, loan portfolio management, banking, real estate development, charter school operations, nonprofit management, legal, education and communications.

SENIOR TEAM

S. Joseph Bruno
President

Paul R. Leleck
Chief Financial Officer

Michael D’Alessandro
General Counsel

Mark Medema
Strategic Initiatives

Richard Moreno
Vice President, Southern Region

Thomas E. Porter
Vice President, Mid-Atlantic Region

Dru Damico
Vice President, Western Region and Real Estate Development

Ewa Schweitzer
Lending and Portfolio Management

STAFF

Tim Merritt
Controller

Curtis Fuller
Charter School Operations

Susan Corsini
Operations and Communications

Dominique Fortune
Real Estate Services

Seth Whetzel
Lending and Portfolio Management

Kevin Lugar
Back-Office Business Support

Bob Boone
Real Estate Development

Gerson Martinez
Real Estate Development
Building Hope: A Charter School Facilities Fund established in 2003, is a nonprofit organization that supports high quality charter school growth by providing facilities financing, charter school facility development, incubator space, back-office business services and financial advisory services to charter schools nationwide.