

Investing *in* Success



Recent Highlights

Building Hope opened an office in Idaho in partnership with the J.A. and Katherine Albertson Foundation. We invested \$3.4 million and assisted 5 charter schools with facility solutions.

We provided \$14 million in direct grants to 7 charter schools in Washington DC and Florida.

Our project financings since inception topped 5.7 million square feet of charter school space; that's more space than the Sears Tower.

We added 5,000 seats to provide a better educational opportunity for children and have now helped over 63,000 students; that's more than Boston Public Schools' enrollment.

We partnered with the DC government to develop and manage another former school building as an Incubator facility.

We provided ongoing back-office and administrative support services to 15 schools in Washington DC and 18 schools in Florida, enabling these school leaders to focus on their education mission.

DEAR FRIENDS,

We celebrated our ten year anniversary as a charter school facilities solution provider at a Washington Nationals baseball game in September 2013 with 10,000 students from our client schools. The energy and excitement of this young audience in many ways reflected the attitude of thousands more who have attended charter schools nationwide and who we have helped in **pursuing a path to college**. It was a wonderful evening spent with the families, teachers, school leaders and business partners who are working to transform public education in the nation's capital.

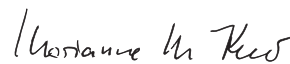
Over the past two years, we continued our steady pattern of project lending, principally in **Washington D.C. and Florida**. Last year, we closed on a total of 10 transactions, representing a combined value of \$15 million and created an estimated 5,000 seats for new charter school students. During this time we also significantly expanded our business service activities, especially in Florida, where we now provide back-office support to 38 schools and assist sponsors with the charter application and start-up process.

In 2013 we were invited by the J.A. and Katherine Albertson Foundation to help develop the **Idaho** charter school community. We agreed to set up an office in Boise, hire a local Building Hope representative and explore opportunities for charter school growth and expansion in the State. Our Idaho start-up activities have generated support and interest from the broader charter community and are leading us to explore potential relationships in neighboring states.

With the success and growth of the charter school movement, we continue to see tremendous demand for customized facility solutions through **real estate development** and financing alternatives. Building Hope's reputation as a flexible and creative advisor and advocate for our school clients means that we participate in some fashion in most charter school projects in our select markets and have a good relationship with regulators and other industry players. Our pioneering approach to incubating charter schools through a partnership with the District of Columbia has resulted in twelve locations for start-up charters in the city, five of which were opened in the last two years. We are also exploring development projects in new markets, generally in partnership with other investors.

As we look to the future, we are focused on forging **new partnerships with investors** who see the great potential for combined financial and philanthropic returns through carefully selected and managed charter school projects. Such partnerships will attract new capital to charter school communities, reduce financing costs and enable Building Hope to serve more schools and families in Washington DC, Florida and beyond. Having built a strong foundation over the past ten years, we now look forward to making an even greater impact in our second decade.

With best wishes,



Marianne M. Keler
BOARD CHAIR



S. Joseph Bruno
PRESIDENT

BUILDING HOPE'S VALUES

The Three R's

RELATIONSHIPS

- Over a decade of building relationships with national financial institutions and the construction industry
 - Deep expertise in key geographic markets allows us to understand local issues better
- Ability to work with governments in an occasionally contentious sector.

RESPONSIVENESS

- Mission driven non-profit with singular focus on charter schools
- Aligned with school leader needs, and provide free technical assistance
 - Variety of facility solutions and loan structures to meet every school's unique needs.

RESULTS

- Measure our impact by the financial benefit to schools and student learning outcomes
- Largest community lender focused solely on charter schools in the country
 - Unique financial position allows us to provide the best terms to charter schools.



FACILITY FINANCING

DIRECT LENDING:

Building Hope provides direct loans to quality charter schools in our defined market areas which currently include Washington, DC, Florida, Delaware, and Idaho. We provide both senior and subordinated loans, for a period generally not to exceed four years, and based on underwriting criteria established by our Board's Credit Committee. Typically we obtain a security interest in the property being financed. Many of our transactions involve multiple lenders where Building Hope leverages traditional financing sources by taking a subordinate position. We also provide short-term loans in order to help schools bridge to longer-term financing options. Our interest rates are generally lower than market rates, providing immediate financial benefit to our school clients and enhancing the school's ability to secure long-term affordable financing.

Since inception, Building Hope has provided financing assistance to charter schools in 186 transactions, primarily in Washington, DC and Florida. In DC this financial assistance has helped the charter school movement capture almost 45% of public school enrollment.

CREDIT ENHANCEMENT:

Building Hope's Credit Enhancement Program, offered through our America's Charter School Finance Corporation affiliate, provides loan and lease guarantees to facilitate financing and leases for public charter school facilities nationwide. Our Credit Enhancement Program is supported by grants from the U.S. Department of Education Charter School Facilities Financing Demonstration Program and The Sallie Mae Fund. Preference is given to schools that have been operating for less than 3 years and/or have at least 50% of students eligible for free or reduced-price lunch. Schools that receive assistance under our Credit Enhancement Program must also provide quality education options for their students.

New schools are evaluated on their proposed curriculum and program, the experience of the school leaders and board, and community interest. Existing schools are evaluated based on their financial results and their academic performance as compared with schools in their district with similar populations. General terms include a guaranty period of three to five years, and an annual reduction in the guaranty.

Building Hope has provided \$138 million in direct loans and \$39 million in credit enhancement guarantees to support over \$980 million in total project costs for 166 schools helping 63,000 children.





TECHNICAL ASSISTANCE

We assist high-potential charter schools overcome facilities challenges by offering free consulting advice, technical assistance and financial expertise related to the planning, acquisition, renovation, construction, financing and maintenance of school facilities and general business operations. Schools are selected based on specified criteria, including: institutional leadership, fiscal stability, academic performance, and community support.

- Developing financial cash-flow projections to determine realistic lease or loan payment amounts for school operators.
- Exploring and facilitating tax-exempt financing and other tax-structuring opportunities.
- Providing financial oversight to charter schools for closing of complex New Market Tax Credit Transactions
- Interacting with local officials, policy makers and regulators
- Advocating on behalf of charter schools for adequate facilities at the local, State, and national levels.
- Restructuring expensive and burdensome debt levels
- Negotiating with bondholders
- Developing of long-term strategic plans

We have provided technical assistance to over 200 schools.

“Building Hope has been instrumental in us getting DC International off the ground. The value of pro bono assistance with the successful application for our site at Walter Reed, the test fit, and pre-development work is immeasurable.”

MARY SHAFFNER DC International

BUSINESS SERVICES

In addition to educating children, charter schools are responsible for operating a business and performing administrative services including finance and accounting, human resources, facilities management, and information technology. Some schools, especially start-ups, lack the staff and the resources to perform these functions. Building Hope has been providing quality back-office services to charter schools at low cost since 2005. This enables charter schools to direct more time and financial resources toward educating students and helps schools establish the financial footing for long-term success in Washington DC. We currently provide services to 9 charter schools. Our Florida operation began in 2009 and is currently providing business services to 26 charter schools. With increased regulatory reporting requirements, charter schools are seeking low-cost services and we are prepared to meet the growing demand.

- Finance and accounting: accounts payable, receipts and disbursements, preparation of annual budgets and financial statements, and periodic regulatory filings
- Information technology: computer network design and support; and general IT management and maintenance
- E-rate services: preparation and submission of applications for federal funding
- Facilities maintenance and repairs: building maintenance, non-structural repairs and installation and maintenance of equipment and services
- Human resources: staff compensation, benefit structure and payroll administration
- Compliance: development of effective policies and procedures to support compliance with state and national requirements
- Charter school application development and review
- Review of contracts, letters of intent, conveyances, leases, subleases, financing documents and other related property transaction agreements; and assistance with negotiating, restructuring and redrafting as appropriate
- Review of due diligence materials: corporate, organization and property documents/materials e.g., title, survey, environmental, zoning.
- Review project documents: construction, architect, engineering and budget management agreements and assistance in drafting/redrafting such agreements
- Facility securing opinion of counsel, lease negotiations, broker negotiation



TURNKEY DEVELOPMENT



REAL ESTATE DEVELOPMENT SERVICES

In the last several years, Building Hope has been asked to deliver turnkey project management solutions that allow charter school administrators to concentrate their time on their core education mission rather than overseeing the many aspects of a construction project. Building Hope has a demonstrated track record of delivering a facility project on time and on budget, taking advantage of all our areas of expertise.

PROJECT MANAGEMENT:

- Gain a unique perspective of the school's vision, mission, culture, academics, leadership, financial resources, and project objectives.
- Provide assistance with site selection, school design and development, and lease/purchase negotiation.
- Solicit proposals and assist with the selection of a lender by a charter school for short and long-term financing for a facility project.
- Secure affordable financing packages acceptable to commercial lending institutions
- Manage schedule and construction issues.

TURNKEY DEVELOPMENT:

- Acquire and develop sites to be subleased to schools at below-market rates.
- We have also acted as project developer and leased build-to-suit facilities with a purchase option. Our projects in the District of Columbia have included new construction as well as retro-fitting and remodeling of existing facilities such as churches, warehouses, and former schools.

"Building Hope provided the relationship, knowledge and financial expertise to make the Meridian dream come true for the children, parents, board, and teachers. Without Building Hope at our side, the path to provide the children the facilities to have a great education would have been more difficult. When problems needed solving we turned to them to provide solutions, and they did."

MICHAEL BROOMFIELD Board Member, Meridian Charter School

PUBLIC-PRIVATE PARTNERSHIPS

Local governments are becoming more willing to discuss ways to work with charters. Building Hope has maintained positive relationships with government agencies at all levels and has participated in some of the most innovative public-private partnerships in education. Building Hope works with public and private entities to develop tailored approaches based on each individual community's needs.

INCUBATOR INITIATIVE:

In the District of Columbia, the Charter School Incubator Initiative was created as a partnership between Building Hope and the Office of the State Superintendent of Education ("OSSE") to provide short-term space for start-up public charter schools. This partnership brings together Building Hope's expertise in facilities financing, property development, and management of public charter school facilities along with OSSE's financial resources. The purpose of the incubator is to help start-up schools grow to scale by resolving three hurdles to growth: 1) finding space, 2) financing facilities, and 3) allowing educators to focus on education.

- Rent is based on enrollment, rather than fair market value of facility
- Facility provided as full-service lease including all utilities and maintenance.
- Managed 12 incubator sites that included 5,000 seats

CHARTER SUPPORT UNIT:

In Florida, we operate a charter school support program for the Florida Department of Education. This program is funded through a national grant program from the U.S. Department of Education's Race to the Top Program.

Through this program we provide a support structure for assisting new and start-up charter schools in the areas of administration, curriculum, finance and governance. Specifically, this program is designed to provide short-term intensive and targeted support for new charter schools.

"Thanks to our partnership with Charter School Services Corporation/Building Hope we are able to provide support to over 175 new charter schools through the Charter Support Unit. We know we can depend on the real-world experience and expertise of their staff to help expand on the high quality of charter schools throughout the state."

ADAM MILLER, Charter School Director
Florida Department of Education



IMPACT INVESTING

Building Hope has been making a difference in the lives of children through the investments of its partners. These partners have made investments that are having impact on society.

- In 2003 **Sallie Mae** launched Building Hope with a \$28 million investment. This investment not only made a direct impact on the lives of nearly 55,000 children (the equivalent of a school district the size of Boston), but also spurred investments from other organizations. In 2014, Sallie Mae's loan management business was spun off to a new public company, **Navient**, which is headquartered in Wilmington, Delaware, and is the sole member of Building Hope.
- **The Walton Family Foundation** invested \$9 million with us in 2011 to advance charter school growth in Washington DC. Their investment helped create 9 schools in Washington DC serving 3,000 students. The Walton Family Foundation fully recouped their investment with on schedule in 2014 and then made a subsequent investment in Building Hope to continue their commitment to the DC community.

- **The J.A. and Katherine Albertson Foundation** committed \$7 million to create a Charter School Facility Fund in the state of Idaho. This new Fund will support up to 10 new schools in Idaho to expand that charter school market. The Albertson Foundation believes this support is an essential ingredient in creating a robust charter school market in Idaho.
- An anonymous individual invested \$1 million with us to help finance a charter school. This investment helped create 500 seats in a Tier 1 school in Ward 8. The investment is annually renewable (at the holder's option) and earns interest at a rate above comparable term certificates of deposit, resulting in a meaningful community impact as well as attractive financial returns.

Charitable support for charter schools will always be needed but we have seen that Impact Investing can have the same powerful impact.

Building Hope has never lost money on a charter school facility investment.

TECHNOLOGY RESOURCE CENTER

Traditional classroom education is undergoing a rapid transition with the adoption of new technology solutions. These solutions are manifested across a spectrum of delivery options:

- classroom teaching is enhanced through smartboards, handheld devices, and workstations,
- the standard instructional time is divided to allow for blending teacher-led instruction with computer-based learning,

- standardized assessments require individual devices for each student,
- and dual enrollment high school courses are delivered virtually from local universities.

These innovations require capital resources to bring technology into the school. Building Hope provides low cost access to short term capital to allow for the acquisition of technology infrastructure and devices.





Over 3 million students
enrolled in charter schools
nationally. Growing at
7% a year.

MASSACHUSETTS
1 Loan for \$650,000
7 Credit Enhancements
for \$4.75 Million

NEW YORK
1 Credit Enhancement
for \$1.3 Million

DELAWARE
2 Loans
for \$1.353 million

MARYLAND
1 Loan for \$650,000
1 Credit Enhancement
for \$250,000

WASHINGTON, DC
38 Loans for \$49.242 Million
13 Credit Enhancements for
\$5.640 Million

NORTH CAROLINA
2 Credit Enhancements
for \$890,000

GEORGIA
2 Loans
for \$325,000

FLORIDA
53 Loans for
\$50.265 Million
4 Credit Enhancements
for \$2.200 Million

LOUISIANA
8 Loans
for \$1.575 million

97% of students in
New Orleans are
in charter schools.

ILLINOIS
1 Credit
Enhancement
for \$250,000

INDIANA
6 Credit Enhancements
for \$1.825 million

TENNESSEE
1 Credit Enhancement
for \$200,000

COLORADO
1 Credit Enhancement
for \$990,000

TEXAS
1 Loan for \$75,000
3 Credit Enhancements
for \$1 Million

IDAHO
2 Loans for
\$3.467 Million
1 Credit Enhancement
for \$500,000

OREGON
1 Credit Enhancement
for \$146,000

CALIFORNIA
2 Loans for \$3 Million
2 Credit Enhancements
for \$1 Million

Charter law passed
in 42 states and
Washington, D.C.

45% of students
in D.C. are in
charter schools.

Financials

PROJECT FINANCING INFORMATION

	DIRECT LOANS	CREDIT ENHANCEMENTS	SQUARE FOOTAGE	PROJECT COST	NUMBER OF STUDENTS
2003/2004/2005	14,247,000	20,714,700	871,000	109,317,400	7,570
2006	5,700,000	2,890,000	276,600	64,436,700	2,840
2007	7,500,000	400,000	234,400	74,923,500	3,140
2008	14,605,000	2,565,000	668,000	126,342,600	7,210
2009	19,660,000	3,056,000	889,400	179,976,500	7,310
2010	14,986,000	1,885,000	712,000	108,714,400	7,160
2011	16,280,000	1,250,000	575,300	68,827,800	7,760
2012	13,951,000	3,150,000	664,800	87,987,700	11,110
2013	16,450,000	1,386,000	231,400	39,200,000	3,760
2014	14,466,000	1,900,000	590,400	123,632,000	5,660
TOTAL PROJECTS COMPLETED	\$137,844,000	\$39,196,000	5,713,400	\$983,358,600	63,500

SUMMARY FINANCING INFORMATION

	12/31/2014
Revenues	
Grants and Donations	1,210,000
Investment Income	3,400,000
Professional Services Fees	2,510,000
Expenditures	
Grants Made to Schools (including subsidized interest)	760,000
Programs and Administrative Expenses	3,100,000
Professional Services Expenses	2,250,000
Assets	56,380,000
Liabilities	9,800,000
Fund Balance	46,580,000

ORGANIZATION AND PARTNERS



Standing L-R: J. Fernando Barrueta, Sheila Ryan-Macie, Joseph M. Muffler, Pat Lawicki, Bill Quinby, Seated L-R: Joe Bruno, Marianne Keler, Priya Jayachandran, Al D'Alessandro.

FUNDING ORGANIZATIONS

Sallie Mae/Navient
U.S. Department of Education
Walton Family Foundation
District of Columbia Office of the State Superintendent of Education
US Department of the Treasury
J.A. and Katherine Albertson Foundation

INDEPENDENT ACCOUNTANTS

BDO USA, LLC

MEMBERSHIPS AND AFFILIATIONS

National Association of Charter School Authorizers
National Alliance for Public Charter Schools
FOCUS
DC Association of Chartered Public Schools
Florida Consortium of Public Charter Schools
Idaho Charter School Network
The Center for Education Reform
Grantmakers for Education
Federal City Council
Charter School Lender's Coalition

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Joseph M. Muffler, Navient
DIRECTOR
Priya Jayachandran, U.S. Department of Housing and Urban Development
DIRECTOR
Pat Lawicki, Navient
DIRECTOR



Standing L-R: Curtis Fuller, Richard Moreno, Laurel Ihator, S. Joseph Bruno, Brett Lee, Paul Leleck
Seated L-R: Michael D'Alessandro, Alice Barnes, Tom Porter, Mark Medema, Joseph Cooper

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Senior Legal Counsel

Curtis Fuller
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Mark Medema
Director, Strategic Initiatives
Laurel L. Ihator
Executive Assistant
Alice Barnes
Administrative Assistant
Brett Lee
Director, Idaho Real Estate
Michael D'Alessandro
Legal Counsel

Building Hope Congratulates These New Schools

SCHOOL	PROJECT COST	BUILDING HOPE FUNDS	STUDENTS SERVED
Florida Intercultural Academy, FL	8,000,000	4,000,000	850
Doral Academy II, FL	7,000,000	1,800,000	3,380
Franklin Academy, FL	2,200,000	1,700,000	2,680
Advantage Academy, FL	14,400,000	2,500,000	1,150
Hillsborough Academy of Math & Science, FL	10,500,000	2,500,000	900
Rolling Hills, ID	1,200,000	1,200,000	250
Aspira, DE	1,260,000	1,100,000	960
DC Prep, DC	30,410,000	2,000,000	720
Orange County Math and Science, FL	5,500,000	3,300,000	1,090
Ben Gamla, FL	4,500,000	2,000,000	600
Paul PCS, DC	21,700,000	2,500,000	875
Athenian, FL	7,100,000	1,800,000	600
KIPP TEAM, NJ	34,700,000	750,000	700
The Academy, ID	6,630,000	2,300,000	550



buildinghope

910 17th Street NW, Suite 1100, Washington, DC 20006
P 202-457-1999 W www.buildinghope.org