CHIMES INTERNATIONAL LIMITED
AND RELATED ENTITIES

CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Gorfine Schiller Gardyn
Certified Public Accountants and Consultants

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Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Boards of Directors
Chimes International Limited and Related Entities
Baltimore, Maryland

Report on the Consolidated and Combined Financial Statements

We have audited the accompanying consolidated and combined financial statements of Chimes International Limited and Related Entities, which comprise the consolidated and combined statements of financial position as of June 30, 2018 and 2017, and the related consolidated and combined statements of activities and cash flows for the years then ended, the related notes to the consolidated and combined financial statements, and the consolidated and combined statement of functional expenses for the year ended June 30, 2018.

Management's Responsibility for the Consolidated and Combined Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and combined 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 consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and combined 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 consolidated and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated and combined 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 consolidated and combined 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 consolidated and combined 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 consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of Chimes International Limited and Related Entities as of June 30, 2018 and 2017, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the June 30, 2017, consolidated and combined financial statements, and we expressed an unmodified audit opinion on those audited consolidated and combined financial statements in our report dated November 15, 2017. In our opinion, the summarized comparative information presented on the consolidated and combined statement of functional expenses as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated and combined financial statements from which it has been derived.

Gorfine, Schiller + Gardyn, P.A.

November 14, 2018
Owings Mills, Maryland

CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED AND COMBINED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 12,974,943	$ 19,513,296
Cash - deferred compensation plan	-	76,044
Accounts receivable, net of allowance for doubtful accounts	29,415,596	17,987,782
Pledges receivable, net of allowance for doubtful accounts	91,571	35,550
Prepaid expenses	1,138,684	1,378,583
Loans receivable	25,000	50,000
Investments, current	6,355,294	5,995,270
Total current assets	50,001,088	45,036,525
NONCURRENT ASSETS		
Restricted cash	349,595	93,198
Land, buildings and equipment, net of accumulated depreciation	30,952,401	32,419,115
Long-term pledges receivable, net of allowance for doubtful accounts	-	26,034
Investments, long-term	1,475,810	1,882,344
Other noncurrent assets	571,036	603,549
Total noncurrent assets	33,348,842	35,024,240
TOTAL ASSETS	$ 83,349,930	$ 80,060,765

The accompanying notes are an integral part of these consolidated financial statements.

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 510,985	$ 1,574,052
Short-term borrowings	872,204	1,660,978
Accounts payable	5,114,985	4,469,957
Accrued expenses and other liabilities	20,010,046	17,562,341
Deferred revenue and refundable advances	1,709,151	639,745
Deferred rent	208,179	204,269
Due to third-party payors	2,183,058	4,357,781
Total current liabilities	30,608,608	30,469,123
LONG-TERM LIABILITIES		
Bonds payable, net	1,555,021	1,658,502
Mortgages and notes payable, net	7,516,238	6,786,328
Interest rate swap	12,109	43,809
Total long-term liabilities, net of current maturities	9,083,368	8,488,639
Total liabilities	39,691,976	38,957,762
NET ASSETS		
Unrestricted		
Undesignated	41,579,118	39,329,926
Board designated	16,341	14,112
	41,595,459	39,344,038
Temporarily restricted	237,090	188,873
Permanently restricted	1,825,405	1,570,092
Total net assets	43,657,954	41,103,003
TOTAL LIABILITIES AND NET ASSETS	$ 83,349,930	$ 80,060,765

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED AND COMBINED STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2018

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT				
Mental health services	$ 32,241,470	$ -	$ -	$ 32,241,470
Developmental disabilities services	81,924,868	-	-	81,924,868
Employment contractual services	81,453,726	-	-	81,453,726
Management fees	88,439	-	-	88,439
Donations and grants	616,028	-	-	616,028
Miscellaneous	224,118	-	-	224,118
Fundraising income, net of fundraising expenses of $390,383	180,461	-	-	180,461
Total revenue and other support	196,729,110	-	-	196,729,110
EXPENSES				
Program services				
Mental health services	26,850,201	-	-	26,850,201
Developmental disabilities services	74,433,109	-	-	74,433,109
Employment contractual services	67,517,631	-	-	67,517,631
Grants	243,508	-	-	243,508
Total program services	169,044,449	-	-	169,044,449
Supporting services				
Administrative expenses	26,180,260	-	-	26,180,260
Fundraising expenses	161,881	-	-	161,881
Total supporting services	26,342,141	-	-	26,342,141
Total expenses	195,386,590	-	-	195,386,590
OPERATING INCOME	1,342,520	-	-	1,342,520
OTHER INCOME				
Investment income - net	833,901	48,217	255,313	1,137,431
Gain on interest rate swap	31,700	-	-	31,700
Gain on sale of assets	43,300	-	-	43,300
Net other income	908,901	48,217	255,313	1,212,431
CHANGES IN NET ASSETS	2,251,421	48,217	255,313	2,554,951
NET ASSETS, Beginning of year	39,344,038	188,873	1,570,092	41,103,003
NET ASSETS, End of year	$ 41,595,459	$ 237,090	$ 1,825,405	$ 43,657,954

The accompanying notes are an integral part of these consolidated financial statements.

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED AND COMBINED STATEMENTS OF ACTIVITIES - CONTINUED
For the Year Ended June 30, 2017

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
REVENUE AND OTHER SUPPORT				
Mental health services	$ 31,150,974	$ -	$ -	$ 31,150,974
Developmental disabilities services	81,918,632	-	-	81,918,632
Employment contractual services	77,596,490	-	-	77,596,490
Management fees	110,336	-	-	110,336
Donations and grants	910,359	-	-	910,359
Miscellaneous	355,499	-	-	355,499
Fundraising income, net of fundraising expenses of $425,234	56,600	-	-	56,600
Total revenue and other support	192,098,890	-	-	192,098,890
EXPENSES				
Program services				
Mental health services	26,795,192	-	-	26,795,192
Developmental disabilities services	74,423,776	-	-	74,423,776
Employment contractual services	66,243,456	-	-	66,243,456
Grants	169,958	-	-	169,958
Total program services	167,632,382	-	-	167,632,382
Supporting services				
Administrative expenses	23,509,620	-	-	23,509,620
Fundraising expenses	139,631	-	-	139,631
Total supporting services	23,649,251	-	-	23,649,251
Total expenses	191,281,633	-	-	191,281,633
OPERATING INCOME	817,257	-	-	817,257
OTHER INCOME (LOSS)				
Investment income - net	853,365	4,472	222,323	1,080,160
Gain on interest rate swap	145,489	-	-	145,489
Loss on sale of assets	(612,769)	-	-	(612,769)
Net other income	386,085	4,472	222,323	612,880
CHANGES IN NET ASSETS	1,203,342	4,472	222,323	1,430,137
NET ASSETS, Beginning of year	38,140,696	184,401	1,347,769	39,672,866
NET ASSETS, End of year	$ 39,344,038	$ 188,873	$ 1,570,092	$ 41,103,003

The accompanying notes are an integral part of these consolidated financial statements.

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and June 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 2,554,951	$ 1,430,137
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	3,260,963	3,285,779
Amortization	51,910	51,922
Provision for bad debts	977,256	805,604
Realized and unrealized gain on investments	(684,606)	(328,250)
Unrealized gain on interest rate swap	(31,700)	(145,489)
(Gain) loss on sale of land, buildings and equipment	(43,300)	612,769
Changes in operating assets and liabilities:		
Accounts receivable	(12,405,070)	(1,335,504)
Pledges receivable	(29,987)	80,345
Prepaid expenses	239,899	(120,826)
Due to third-party payors	(2,174,723)	2,599,322
Accounts payable	645,028	(399,200)
Accrued expenses and other liabilities	2,447,705	214,858
Deferred compensation and postemployment benefit obligation	76,044	(1,053)
Deferred rent	3,910	38,482
Deferred revenue and refundable advances	1,069,406	(601,960)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(4,042,314)	6,186,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,083,995)	(4,613,739)
Changes in loans receivable	25,000	(20,000)
Changes in other noncurrent assets	32,513	(119,323)
Changes in restricted cash	(256,397)	412,230
Acquisition of land, buildings and equipment	(1,787,550)	(2,604,215)
Proceeds from sales of land, buildings and equipment	36,601	44,518
Proceeds from sales of investments	1,815,111	2,770,803
NET CASH USED IN INVESTING ACTIVITIES	(1,218,717)	(4,129,726)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on bonds	(103,481)	(111,054)
Principal payments on mortgages and notes payable	(385,067)	(359,402)
(Payments) borrowings on short-term borrowings, net	(788,774)	825,000
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,277,322)	354,544
CHANGES IN CASH AND CASH EQUIVALENTS	(6,538,353)	2,411,754
CASH AND CASH EQUIVALENTS, Beginning of year	19,513,296	17,101,542
CASH AND CASH EQUIVALENTS, End of year	$ 12,974,943	$ 19,513,296

The accompanying notes are an integral part of these consolidated financial statements.

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED AND COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

	2018									2017
	Program Services					Supporting Services				
	Mental Health Services	Developmental Disabilities Services	Employment Services	Grants	Total Program Services	Administrative Expenses	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Personnel costs										
Salaries	$ 17,369,868	$ 43,801,047	$ 30,817,908	$ -	$ 91,988,823	$ 11,946,979	$ -	$ 11,946,979	$ 103,935,802	$ 101,193,325
Benefits	1,540,023	5,925,674	11,112,455	-	18,578,152	1,419,858	-	1,419,858	19,998,010	20,259,969
Temporary staff	-	2,791,856	3,043	-	2,794,899	109,270	-	109,270	2,904,169	2,256,035
Payroll taxes	1,255,115	4,781,538	3,582,527	-	9,619,180	993,297	-	993,297	10,612,477	10,083,041
Total personnel costs	20,165,006	57,300,115	45,515,933	-	122,981,054	14,469,404	-	14,469,404	137,450,458	133,792,370
Consulting	1,699,234	771,976	21,107	-	2,492,317	5,910,909	-	5,910,909	8,403,226	6,763,304
Office and administrative	1,254,021	1,263,581	3,720,603	-	6,238,205	2,624,248	25,000	2,649,248	8,887,453	10,092,872
Vehicles, transport and travel	481,419	2,605,315	242,472	-	3,329,206	328,620	-	328,620	3,657,826	3,839,142
Facilities	247,295	2,140,331	269,713	-	2,657,339	227,114	-	227,114	2,884,453	3,034,382
Rent	1,780,563	1,887,623	14,821	-	3,683,007	724,753	-	724,753	4,407,760	4,163,323
Interest expense	43,927	375,629	-	-	419,556	208,628	-	208,628	628,184	660,926
Utilities	247,314	1,116,825	12,192	-	1,376,331	274,234	-	274,234	1,650,565	1,583,351
Food costs	162,702	2,299,692	-	-	2,462,394	28,228	-	28,228	2,490,622	2,663,625
Janitorial sub-contracts	-	-	13,337,657	-	13,337,657	6,144	-	6,144	13,343,801	13,666,367
Fundraising expenses	-	2,455	-	-	2,455	-	136,881	136,881	139,336	139,631
Grant and other distributions	-	-	-	243,508	243,508	40,162	-	40,162	283,670	245,663
Training supplies, equipment and personal supplies	558,260	1,198,076	3,926,457	-	5,682,793	68,668	-	68,668	5,751,461	5,740,777
Contract program services	-	3,042,955	17,394	-	3,060,349	859,755	-	859,755	3,920,104	3,598,676
Depreciation	210,460	1,815,251	439,282	-	2,464,993	795,970	-	795,970	3,260,963	3,285,779
Management fees	-	-	-	-	-	10,723,153	-	10,723,153	10,723,153	8,386,516
Total before eliminations	26,850,201	75,819,844	67,517,631	243,508	170,431,184	37,289,990	161,881	37,451,871	207,883,055	201,656,704
Eliminations	-	(1,386,735)	-	-	(1,386,735)	(11,109,730)	-	(11,109,730)	(12,496,465)	(10,375,071)
TOTAL	$ 26,850,201	$ 74,433,109	$ 67,517,631	$ 243,508	$ 169,044,449	$ 26,180,260	$ 161,881	$ 26,342,141	$ 195,386,590	$ 191,281,633

The accompanying notes are an integral part of these consolidated financial statements.

NOTE A – NATURE OF OPERATIONS

Chimes International Limited and Related Entities (the Organization) provide services to people living in the States of Maryland, Delaware, Pennsylvania, Virginia, North Carolina, New Jersey and the District of Columbia. The Organization provides mental health services, drug and substance abuse services and intellectual/developmental disabilities services. Its employment services programs also serve the aforementioned people and those with other disabilities and barriers to independent living.

Services provided to persons within the Organization's target populations include employment services and supports, day habilitation, counseling, educational supports and instruction, supported living services and a variety of living and housing alternatives. The Organization also provides administrative services to other organizations with common interests and needs.

The following is a summary of entities related to the Organization, which are included in the consolidated and combined financial statements.

Entity Name	Nature of Relationship
Chimes International Limited (International)	Parent, Board drawn from membership of supported organizations
The Chimes, Inc. (Chimes – Maryland)	International has sole membership
Chimes Metro, Inc. (Chimes – Delaware)	International has sole membership
Chimes District of Columbia, Inc. (Chimes – DC)	Common management
Chimes Virginia, Inc. (Chimes – VA)	International has sole membership
Chimes Foundation, Incorporated (The Chimes Foundation)	Common management
Holcomb Associates, Inc. (Holcomb)	International has sole membership
Open Door, Inc. (Open Door)	Holcomb has sole membership
Chimes Pennsylvania, Inc. (Chimes – PA)	Holcomb has sole membership
Chimes Employment Services, LLC (CES)	Chimes - Maryland has sole membership
Chester County Council on Addictive Diseases, Inc. (COAD)	Holcomb has sole membership

All significant intercompany accounts and transactions have been eliminated in the consolidated and combined financial statements. On July 1, 2017, Family-Child Resources, Inc., an entity that Holcomb had sole membership of, merged into Holcomb.

NOTE A – NATURE OF OPERATIONS – Continued

Chimes Israel is an independent Israeli organization, which is not incorporated in the United States, some of whose directors are also members of the Board of Directors of one or more of the other related entities. Chimes Israel is not included in the consolidated and combined financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Use of Estimates

The preparation of consolidated and combined 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 liabilities at the date of the consolidated and combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting and in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC), which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The determination of a net asset class is established by the existence or absence of legally enforceable restrictions from outside of the Organization and its Board of Directors. If no outside restrictions exist, then net assets are recorded as unrestricted.

3. Donated Services

No amounts are recorded for donated personal services in these consolidated and combined financial statements since the services do not meet the criteria requiring consolidated and combined financial statement disclosure under accounting principles generally accepted in the United States. Volunteers have donated significant amounts of their time to the Organization; however, the value of these services cannot be estimated.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. Net Assets

Unrestricted net assets consist of funds free of any legally enforceable restrictions outside of the Organization and its Board of Directors. Temporarily and permanently restricted net assets consist of funds subject to donor restrictions from outside the Organization and its Board of Directors. The Organization reports contributions of cash and other assets as donor restricted support if they are received with donor stipulations that limit the time period or manner of use of the contribution. However, if a donor restriction expires in the same reporting period the contribution is made, the contribution is recorded as an increase in unrestricted net assets as allowed by ASC. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated and combined statements of activities as net assets released from restrictions.

5. Support and Revenue

Some revenues are received as grant funds and third-party claims from the State or other municipalities in Maryland, Delaware and New Jersey, Commonwealths of Pennsylvania and Virginia and the District of Columbia. Such revenues are recognized when the related services are rendered. Unexpended funds may be due back to the funding authorities, unless the funding authority allows the Organization to retain such excess. Other revenues are earned under fee for service arrangements and employment contractual services. Contracts are subject to renewal.

The concentration of revenue from the Mid-Atlantic area is not expected to have any significant future effect on the Organization.

6. Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Periodically during the year, cash and cash equivalents in interest-bearing accounts may have exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limitation. The Organization does not believe that it is exposed to any significant risk in such deposits.

7. Accounts Receivable

Most of the accounts receivable are due from the Federal government, State or other municipalities in Maryland, Delaware and New Jersey, Commonwealths of Pennsylvania and Virginia or the District of Columbia. Accounts receivable also includes amounts due from other payors for employment contractual services. Based upon a review of the receivables as of June 30, 2018 and 2017, management recorded an allowance for doubtful accounts of $1,987,312 and $1,441,194, respectively.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

8. Pledges Receivable

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Chimes Foundation is the recipient of unconditional pledges receivable at June 30, which are expected to be received as follows:

	2018	2017
Receivable in less than 1 year	$ 112,312	$ 35,550
Receivable in 1 to 5 years	-	40,000
Total unconditional pledges receivable	112,312	75,550
Less allowance for doubtful accounts	(20,741)	(13,966)
Total unconditional pledges receivable	$ 91,571	$ 61,584

The Chimes Foundation provides an allowance for potentially uncollectible unconditional pledges receivable based on a review of their outstanding unconditional pledges receivable and their historical experience with the individual accounts. Management determined the discount to net present value was immaterial and hence is not recorded.

9. Land, Buildings and Equipment

Capital assets are stated at cost or, if donated, at fair market value on the date of donation. It is the Organization's policy to record as unrestricted net assets all donated property and equipment whose only restrictions are the depreciable lives of the property. The Organization's capitalization policy ranges from $1,000 to $2,500, except where regulation requires a different amount. Depreciation is provided over the following estimated useful lives of the related assets using the straight-line method.

Buildings and improvements	15 - 40 years
Land improvements	15 years
Automobiles	3 - 5 years
Furnishings and equipment	3 - 5 years
Leasehold improvements	life of lease

Although the Organization holds title to all of its assets, in the event of its dissolution, all assets acquired under capital grant programs may revert to the governmental entity under their respective funding agreements or to another 501(c)(3) corporation providing similar services as the Organization. As of June 30, 2018 and 2017, costs of approximately $705,000 of property and equipment were subject to this reversionary provision.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

10. Investments and Investment Income

The Organization accounts for certain investments in equity securities (i.e., investments that have readily determinable fair values and are not accounted for by the equity method) and all investments in debt securities at fair value in the consolidated and combined statements of financial position. Gains and losses on investments resulting from their measurement at fair value are reported in the consolidated and combined statements of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by donor stipulation or by law.

Investment income earned is used to support the ongoing operations of the Organization and is classified as other income.

11. Deferred Financing Fees

Deferred financing fees consist of bond and note issuance costs. Bond and note issuance costs related to the financing described in Note D are amortized on a straight-line basis over the life of the related bonds and are included as a component of interest.

12. Derivative Financial Instrument

The Organization recognizes all derivative financial instruments in the consolidated and combined financial statements at their fair value. The Organization participates in interest rate swap contracts that are considered derivative financial instruments. Changes in the fair value of the derivative financial instruments are recognized in the consolidated and combined statements of activities as unrealized gain or loss on interest rate swap contracts.

13. Income Tax

The Organization's entities are exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and are not considered private foundations. None of the Organizations' activities, with the exception of International, (See Note T) are subject to the tax on unrelated business income.

Under ASC topic, *Accounting for Income Taxes*, the Organization is required to recognize or disclose any tax positions that would result in unrecognized tax benefits. The Organization has no positions that would require disclosure or recognition under the topic. Tax years ending June 30, 2015 and after are still open.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

14. Deferred Revenue and Refundable Advances

Revenue is recognized as earned. Amounts received in advance of the period in which the service is rendered are recorded as a liability under deferred revenue.

Revenues from government and private grants and contracts are recognized in accordance with the terms of the contract. Any government revenue received before it is expended is recorded as a refundable advance.

15. Advertising

Advertising costs are charged to operations when incurred. The Organization had no significant direct-response advertising. Management has determined that advertising expense for the years ended June 30, 2018 and 2017 was not material.

16. Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities*, which contains significant changes to the financial statements requirements under the *Not-for-Profit Entities* topic of the Accounting Standards Codification. The new standard is effective for the year ending June 30, 2019. The Organization will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09 *Revenue from Contracts with Customers*, which requires that revenue recognition be determined by applying a five step process. The new standard, as amended by subsequent Accounting Standards Updates, is effective for the year ending June 30, 2020. The Organization will evaluate the effect that implementation of the new standard will have on its consolidated balance sheet and statement of operations.

In June of 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, and for determining whether a contribution is conditional or unconditional. The new standard is effective for the year ending June 30, 2020. The Organization will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

17. Subsequent Events

In preparing these consolidated and combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 14, 2018, the date the consolidated and combined financial statements were available to be issued.

18. Reclassifications

Certain reclassifications have been made to the prior year consolidated and combined financial statements to conform to the current year presentation.

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Major classes of land, buildings and equipment at June 30, 2018 and 2017 are as follows:

	2018	2017
Land	$ 4,859,083	$ 4,859,083
Buildings and improvements	39,665,393	39,582,987
Land improvements	357,875	359,875
Automobiles	7,662,442	7,474,101
Furnishings and equipment	20,453,693	19,240,811
Leasehold improvements	4,027,473	3,972,306
Total land, buildings and equipment	77,025,959	75,489,163
Less: accumulated depreciation	46,073,558	43,070,048
Net land, buildings and equipment	$ 30,952,401	$ 32,419,115

Depreciation on these assets for the years ended June 30, 2018 and 2017 was $3,260,963 and $3,285,779 respectively.

NOTE D – DEFERRED FINANCING FEES

Deferred financing fees as included with bonds payable and mortgages and notes payable at June 30, 2018 and 2017 are as follows:

	2018	2017
Bond and note issue costs	$ 318,124	$ 318,124
Less: accumulated amortization	219,596	167,686
Net deferred financing fees	$ 98,528	$ 150,438

Amortization expense was $51,910 and $51,922 for the years ended June 30, 2018 and 2017, respectively and was included as a component of interest. Amortization expense for remaining life of the bonds will be:

2019	$ 51,778
2020	5,419
2021	5,431
2022	35,900
	$ 98,528

NOTE E – INVESTMENTS

Investments included in the Organization's consolidated and combined statements of financial position, all of which are held by The Chimes Foundation, at June 30, 2018 and 2017 are as follows:

	2018		2017	
	Cost	Market Value	Cost	Market Value
Corporate bonds	$ 850,076	$ 843,959	$ 501,255	$ 505,351
Common stocks	1,074,064	1,765,232	1,224,066	1,697,314
Mutual funds	3,974,393	4,942,927	4,816,513	5,272,541
REIT	34,492	38,642	73,444	75,776
Certificates of deposit	228,327	240,344	315,626	326,632
	$ 6,161,352	$ 7,831,104	$ 6,930,904	$ 7,877,614

As described in Note L, included in the above investments are temporarily restricted investments in the amount of $237,090 and $188,873 as of June 30, 2018 and 2017, respectively. As described in Note M, included in the above investments are permanently restricted investments in the amount of $1,825,405 and $1,570,092 as of June 30, 2018 and 2017, respectively.

NOTE E – INVESTMENTS – Continued

The following schedule summarizes the investment income and its classification in the consolidated and combined statements of activities for the years ended June 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	$ 85,676	$ 35,738	$ 8,930	$ 130,344
Gains (losses) - net	748,225	12,479	246,383	1,007,087
	$ 833,901	$ 48,217	$ 255,313	$ 1,137,431

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	$ 154,161	$ 85	$ 33,466	$ 187,712
Gains (losses) - net	699,204	4,387	188,857	892,448
	$ 853,365	$ 4,472	$ 222,323	$ 1,080,160

Endowment Investment and Spending Policies

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

NOTE E – INVESTMENTS – Continued

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an average real total return of at least 6% per year, net of management fees, over any rolling five year period. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of amounts sufficient to fund the activities to which the gifts relate, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Changes in donor restricted endowment net assets were as follows for the years ended June 30:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment, beginning of year	$ 405,450	$ -	$ 1,570,092	$ 1,975,542
Investment income (loss)	14,842	-	255,312	270,154
Endowment, end of year	$ 420,292	$ -	$ 1,825,404	$ 2,245,696

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment, beginning of year	$ 402,327	$ -	$ 1,347,769	$ 1,750,096
Investment income (loss)	3,123	-	222,323	225,446
Endowment, end of year	$ 405,450	$ -	$ 1,570,092	$ 1,975,542

NOTE F – FAIR VALUE MEASUREMENTS

ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets and liabilities measured at fair value. There have been no changes in the methodology used at June 30, 2018 and 2017.

Common stocks: Valued at the closing price reported on the active market in which the individual securities are traded.

Mutual funds: Valued at the closing price reported on the active market in which the individual securities are traded.

Real estate investment trust (REIT): Valued at the closing price reported on the active market in which the individual securities are traded.

Corporate bonds: Bonds relate to treasury curve and the spread of the treasury curve and the prices were not readily observable but instead mathematical calculations were used to obtain the final calculation.

Certificates of deposit: Valued at the amount that could be realized if the deposit were to be withdrawn at the statement of financial position date.

NOTE F – FAIR VALUE MEASUREMENTS – Continued

Interest rate swap: Valued using discounted cash flow calculations based upon forward interest-rate yield curves. The curves were obtained from independent pricing services reflecting broker market quotes. The fair values are adjusted for counter-party risk, when applicable.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table is set forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of:

Assets as of June 30, 2018

	Level 1	Level 2	Level 3	Total
Common stocks	$ 1,765,232	$ -	$ -	$ 1,765,232
Mutual funds	4,942,927	-	-	4,942,927
Corporate bonds	-	843,959	-	843,959
REIT	38,642	-	-	38,642
Certificates of deposit	-	240,344	-	240,344
Total assets at fair value	$ 6,746,801	$ 1,084,303	$ -	$ 7,831,104

Liabilities as of June 30, 2018

	Level 1	Level 2	Level 3	Total
Interest rate swap	$ -	$ 12,108	$ -	$ 12,108

NOTE F – FAIR VALUE MEASUREMENTS – Continued

Assets as of June 30, 2017

	Level 1	Level 2	Level 3	Total
Common stocks	$ 1,697,314	$ -	$ -	$ 1,697,314
Mutual funds	5,272,541	-	-	5,272,541
Corporate bonds	-	505,351	-	505,351
REIT	75,776	-	-	75,776
Certificates of deposit	-	326,632	-	326,632
Total assets at fair value	$ 7,045,631	$ 831,983	$ -	$ 7,877,614

Liabilities as of June 30, 2017

	Level 1	Level 2	Level 3	Total
Interest rate swap	$ -	$ 43,809	$ -	$ 43,809

NOTE G – SHORT-TERM BORROWINGS

International has a $13,000,000 revolving credit note (loan) with Branch Banking & Trust (BB&T) due on demand. The loan requires the Organization to comply with several covenants. The loan is collateralized by 20 properties of Chimes – Maryland, is cross-collateralized and cross-defaulted with all other loans to the borrower. The loan bears interest at the daily LIBOR Rate plus 275 points (2.93% as of June 30, 2018 and 2.91% as of June 30, 2017). The loan is scheduled to expire June 30, 2018. The outstanding balance at June 30, 2018 and 2017 was $-0-. Under the terms of the loan, the Organization had to comply with covenants and management believes they are in compliance as of June 30, 2018.

Chimes – DC has a $10,000,000 revolving credit note (loan) with BB&T, due on demand. The loan is collateralized by a first lien on certain accounts receivable. The loan bears interest at the Daily LIBOR Rate plus 275 points (2.93% as of June 30, 2018 and 2.91% as of June 30, 2017). The loan is scheduled to expire June 30, 2018. The outstanding balance at June 30, 2018 and 2017 was $-0-. Under the terms of the loan, the Organization had to comply with a covenants and management believes they are in compliance as of June 30, 2018.

Holcomb has a $2,300,000 working capital line of credit (working capital line) with BB&T collateralized by business assets bearing interest at BB&T's prime rate minus .50%, but not to be less than 3.50% (4.50% and 3.75% as of June 30, 2018 and 2017, respectively). The working capital line, which was due on demand, expires on September 28, 2018, and has to comply with covenants. Chimes International guarantees the working capital line. The outstanding balance at June 30, 2018 and 2017 was $872,204 and $1,660,978, respectively.

Subsequent to year end, the Holcomb line of credit was consolidated into the International line of credit and that line of credit was increased to $15,300,000.

NOTE H – BONDS PAYABLE

Delaware Economic Development Authority Revenue Bonds – Series 2010

On December 29, 2010, the Delaware Economic Development Authority (DEDA) issued $2,500,000 revenue bonds (Series 2010) to Chimes – Delaware. The purpose of the bonds are to refinance seven homes purchased on the line of credit from a related party and to refinance two homes that were financed with Wilmington Trust (see Note I). In addition, proceeds were used to purchase land and will be used to construct a new barrier free home in Delaware. The payment of the bonds are secured by first lien mortgages and security interests for ten properties. Under the terms of the bonds, the Organization had to comply with covenants and management believes they are in compliance as of June 30, 2018.

The bonds also require the Organization to comply with several other covenants. The bonds mature December 29, 2020, and bear interest at the greater of 67% of the Federal Home Loan Board Rate plus 365 basis points or 4% (4% as of June 30, 2018 and 3.96% as of June 30, 2017). The bonds payable balance as of June 30, 2018 and 2017 was $1,709,656 and $1,812,670, respectively.

Principal payable maturities of the bonds for the remaining life of the bonds as of June 30, 2018 are as follows:

Years ending June 30,	2019	$	107,375
	2020		111,805
	2021		1,490,476
			1,709,656
	Current maturities		(107,375)
	Unamortized deferred financing fees		(47,260)
	Bonds payable, net	$	1,555,021

Interest expense related to lines of credit, bonds payable, mortgages and notes payable included in the consolidated and combined statements of activities for the years ended June 30, 2018 and 2017 was $539,376 and $567,557, respectively.

NOTE I – MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable at June 30, are as follows:	2018	2017
Note payable to a bank, payable until July 2021, monthly installments of $3,559 including interest at 4.8%, with the remaining balance due July 2021. The note is collateralized by four properties of the borrower. (Chimes - Maryland)	$ 365,779	$ 390,034
Note payable to a bank, payable until July 2019, monthly installments of $14,725 plus interest at the fixed rate of 3.96%. See interest rate swap information below, remaining balance due July 2019. The note is collateralized by real estate. See Note J. (International)	4,489,550	4,693,600
Mortgage payable to bank, payable until December 2027, monthly installments of $8,765 including interest at 4.93%, collateralized by real property and improvements thereon. Balance is due in full in December 2027. (Chimes - Delaware)	1,088,006	1,135,199
Mortgage payable to BB&T dated April 7, 2015, collateralized by the property at 290 Kirk Lane, Media, Pennsylvania. The loan is for a term of 60 months with a fixed interest rate of 3.99% per annum and matures April 7, 2020. The monthly principal and interest payments are $579. The mortgage is secured by a deed of trust on the property and the Organization is required to comply with various covenants and management believes they are in compliance as of June 30, 2018. (Holcomb)	84,721	88,167
Mortgage payable to BB&T dated May 12, 1999, collateralized by the property at 1053 Glenn Hall Road, Kennett Square, Pennsylvania. The loan is for a term of 300 months with an interest rate subject to adjustment every 60 months to the average five-year U.S. Treasury constant maturities yield in effect 30 days prior to the adjustment date and matures August 2, 2024. The rates at June 30, 2018 and 2017 were 3.39%. Currently, the monthly payment of principal and interest is $1,895. The mortgage is secured by a deed of trust on the property and the Organization is required to comply with various covenants. (Holcomb)	126,223	144,292
Sub-total balance forward	$ 6,154,279	$ 6,451,292

NOTE I – MORTGAGES AND NOTES PAYABLE – Continued

	2018	2017
Sub-total carried forward	$ 6,154,279	$ 6,451,292
Mortgage payable to BB&T dated August 26, 1999, collateralized by the property at 515 Cherry Tree Road, Aston, Pennsylvania. The loan is for a term of 300 months with an interest rate subject to adjustment every 60 months to the average five-year U.S. Treasury constant maturities yield plus 2% rounded to the nearest .125% and matures August 26, 2024. The rates at June 30, 2018 and 2017 were 3.625%. Currently, the monthly payment of principal and interest is $1,290. The mortgage is secured by a deed of trust on the property and the Organization is required to comply with various covenants. (Holcomb)	85,606	98,685
Mortgage payable to DNB dated August 3, 2010 collateralized by the property at 920 Baltimore Avenue, Kennett Square, Pennsylvania. The loan is for a term of 292 months with an interest rate of 4.50% per annum. Currently, the monthly payment of principal and interest is $6,287 with the note maturing November 1, 2034. The Organization has to comply with certain covenants and management believes they are in compliance as of June 30, 2018. (Holcomb)	870,021	904,904
Mortgage payable to BB&T dated June 22, 2000, collateralized by the property at 115 Burmont Road, Drexel Hill, Pennsylvania. The loan is for a term of 300 months with a variable interest rate of 2.0% above the five-year U.S. Treasury constant maturities rate. Currently, the monthly payment of principal and interest is $1,041, with interest at the current rate of 3.375% per annum. The mortgage is secured by a deed of trust on the property and the Organization is required to comply with various covenants. (Holcomb)	77,753	86,454
Sub-total balance forward	$ 7,187,659	$ 7,541,335

NOTE I – MORTGAGES AND NOTES PAYABLE – Continued

	2018	2017
Sub-total carried forward	$ 7,187,659	$ 7,541,335
Mortgage loan payable to BB&T in the amount of $880,000 collateralized by the property at 3995 East Market Street, York, Pennsylvania. The mortgage, which is borrowed by Holcomb (and co-borrowed by FCR as of June 30, 2017), is for a term of 60 months, has a fixed interest rate of 3.99% per annum and matures April 7, 2020. The monthly principal and interest payments are $5,355 with a balloon payment of $727,009 due on April 7, 2020. The mortgage is secured by a deed of trust on the property and the Organization is required to comply with various covenants. (Holcomb)	783,458	815,324
Total	7,971,117	8,356,659
Current maturities	(403,610)	(1,470,932)
Unamortized deferred financing fees	(51,268)	(99,399)
	$ 7,516,239	$ 6,786,328

Payments of principal during the next five years and thereafter as of June 30, 2018, are as follows:

Years ending June 30,	2019	$ 403,610
	2020	5,284,423
	2021	178,760
	2022	438,347
	2023	165,938
	Thereafter	1,500,039
		$ 7,971,117

NOTE J – DERIVATIVE FINANCIAL INSTRUMENT

The Organization makes use of derivative instruments for the purpose of managing interest rate risks. The Organization has entered into an interest rate swap agreement (Swap) to reduce the impact of changes in interest rates on a portion of its floating rate debt. On July 2, 2014, the Organization entered into an interest rate swap agreement related to its credit facilities with BB&T in the initial notional amount of $5,230,275. At June 30, 2018, the notional amount was $5,097,750 and the Swap matures July 1, 2019. The Swap requires payment of a fixed rate of interest (3.96%) and the receipt of a variable rate of interest (LIBOR) on the notional amount of indebtedness.

NOTE J – DERIVATIVE FINANCIAL INSTRUMENT – Continued

The Organization purpose in entering into this swap arrangement was to hedge the risk of interest rate increases on the related variable rate debt. Accordingly, the swap arrangement was designated as a cash flow hedging activity and represented a derivative financial instrument. This derivative financial instrument was not held for trading purposes. The Organization accounted for this derivative financial instrument by presenting it on the consolidated and combined statement of financial position at its fair value. Since this instrument was designated as a hedging activity, changes in the fair value of this instrument were recognized in the consolidated and combined statement of activities. The cash flow effects of the swap arrangement are included in interest expense on the consolidated and combined statements of activities. The effect for the years ended June 30, 2018 and 2017 was to increase total interest expense by $25,909 and $58,819, respectively. The effect for the years ended June 30, 2018 and 2017 of the unrealized fluctuation in the fair value of the swap included in the consolidated and combined statements of activities was an unrealized gain of $31,700 and $145,489, respectively. The derivative financial instrument totaled $(12,108) and $(43,809) at June 30, 2018 and 2017, respectively.

The Organization is exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Organization does not anticipate nonperformance by the counterparty.

NOTE K – BOARD DESIGNATED NET ASSETS

Board designated net assets of $16,341 and $14,112 as of June 30, 2018 and 2017, respectively, were available for the purpose of the Parnella Fund.

NOTE L – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017, was available for the following purposes:

	2018	2017
Tina Hyatt Fund	$ 237,090	$ 188,873
Chimes - Delaware board restriction	605,985	531,835
Total temporarily restricted net assets	843,075	720,708
Less: amounts eliminated in consolidation	605,985	531,835
Net temporarily restricted net assets	$ 237,090	$ 188,873

In 2012, Chimes – Delaware made a temporarily restricted contribution of $400,000 to The Chimes Foundation. Use of the funds is restricted to uses to be approved by the Board of Directors of Chimes – Delaware. The balance in this temporarily restricted fund was $605,985 and $531,835 as of June 30, 2018 and 2017, respectively, and has been eliminated on these consolidated and combined financial statements.

NOTE M – PERMANENTLY RESTRICTED NET ASSETS

In 1995, The Chimes Foundation received $100,000 from The Harry and Jeanette Weinberg Foundation, Incorporated (Weinberg Foundation) to establish an endowment fund called The Harry and Jeanette Weinberg Futures Fund (Weinberg Futures Fund), with $200,000 in matching funds raised by The Chimes Foundation. In 1996, The Chimes Foundation received an additional $100,000 from the Weinberg Foundation with $200,000 in matching funds raised by The Chimes Foundation to contribute further to the Weinberg Futures Fund.

In 1999, The Chimes Foundation received an additional $150,000 from the Weinberg Foundation with $150,000 in matching funds raised by The Chimes Foundation to contribute further to the Weinberg Futures Fund. For years after 1999 no additional receipts were received from the Weinberg Foundation and no matching funds were raised. The Weinberg Futures Fund's purpose is to provide services to individuals who require financial assistance to participate in the programs that The Chimes Foundation supports. Although informally identified, management has not formally named an account or investment in the name of the Weinberg Futures Fund.

The endowment agreement requires that 30% of the dividend and interest investment income and all realized or unrealized gains and losses generated by those funds be retained to maintain and increase purchasing power for future distributions. As of June 30, 2018 and 2017, The Chimes Foundation had segregated those earnings and added them to the informally identified investment.

In 2012, The Chimes Foundation received $20,000 to establish an award in the name of Ina and Norman Lampner. The corpus of these funds is permanently restricted. Earnings on the corpus are temporarily restricted in accordance with the gift agreement.

Permanently restricted net assets as of June 30, 2018 and 2017, consist of the following:

	2018	2017
Weinberg Foundation Fund	$ 1,802,485	$ 1,547,432
Ina and Norman Lampner Fund	22,920	22,660
	$ 1,825,405	$ 1,570,092

Of the total balance in permanently restricted net assets for the years ended June 30, 2018 and 2017, $349,595 and $93,198, respectively, consist of restricted cash.

NOTE N – RETIREMENT PLANS

In 1994, Chimes – Maryland (assigned to International effective July 1, 2004) established a nonqualified severance plan for certain administrative employees. Discretionary contributions are to be made to the plan on an annual basis. Contribution expense for the years ended June 30, 2018 and 2017 was $-0-. Contributions are paid into a separate restricted trust account for the plan with investments subject to the discretion of the qualified participants. The maximum aggregated benefits are limited by the terms of the agreement. This plan was terminated during the prior year.

NOTE N – RETIREMENT PLANS – Continued

Holcomb has a retirement plan called "Holcomb Associates, Inc. 403(b) Plan" which matches employee contributions at 50% up to 6% of annual salary, with 100% vesting after five years of participation.

Contributions for the years ended June 30, 2018 and 2017 were $142,626 and $143,944, respectively.

Effective July 1, 2004, Chimes – Maryland established a 403(b) plan covering substantially all employees earning $80,000 or more. Since inception, the plan floor has periodically increased. Beginning with the year ending June 30, 2009, the ceiling increased to $100,000. Chimes – Maryland, Chimes – Delaware, Chimes – VA, and International all participate in this plan. This plan was restated on January 1, 2009, and the plan floor was removed. The Organization contributes 2.5% of the annual salaries of qualifying participants. The Organization also matches employee contributions up to 3% of the annual salaries of qualifying participants. The 403(b) contribution expense for the years ended June 30, 2018 and 2017, was $1,231,351 and $1,376,285, respectively.

Effective January 1, 2006, Chimes – DC participates in a 401(a) defined contribution retirement plan. Under the plan, participation is limited to certain administrative personnel with a contribution equaling 2% of the covered employees' salary. Contributions to the 401(a) Plan for the years ended June 30, 2018 and 2017 were $38,456 and $21,276, respectively

Effective January 1, 2006, Chimes – DC established a 403(b) plan that is only a deferral and is open to all employees of Chimes – DC. There were no employer contributions to this plan.

Holcomb maintained a deferred compensation plan under IRC 457(b) for one of its officers. The assets were invested in Holcomb's name and, accordingly a deferred compensation liability of equal amount was recorded on the consolidated statements of financial position. Due to the officers retirement (see note below), there was no contribution for the year ended June 30, 2017. The deferred compensation asset and corresponding liability account balances was $76,044 as of June 30, 2017. In August 2017 this liability was paid in full.

During 2011, the frozen Chimes – Maryland Money Purchase Pension Plan merged with the frozen Chimes – Maryland 401(k) Plan and became the Chimes, Inc. 401(a) defined contributions plan. This plan is also frozen and there are no longer contributions going into the plan.

NOTE O – DEFERRED RENT

Holcomb's lease agreement for its administrative office has a provision for rent payments with fixed annual increases. In accordance with generally accepted accounting principles, the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for consolidated and combined financial statement purposes is recorded as deferred rent.

NOTE O – DEFERRED RENT – Continued

Future amortization of deferred rent over the next five years and thereafter are as follows:

Years ending June 30,	2019	$ (8,733)
	2020	(24,768)
	2021	(35,325)
	2022	(45,833)
	2023	(56,441)
	Thereafter	(37,079)
		$ (208,179)

NOTE P – COMMITMENTS AND CONTINGENCIES

The States of Maryland, Delaware and New Jersey, Commonwealths of Pennsylvania and Virginia, the District of Columbia and the Federal government retain the right to conduct audits of the Organization's programs funded by State grants, other State resources and Federal programs. Audit adjustments are reflected in the period incurred. Management of the Organization is unaware of any material potential liability or receivable that might arise as a result of such an audit, other than amounts already reflected in these consolidated and combined financial statements. During 2017, the Organization reached a settlement with the State of Maryland, Department of Health in connection with misclassification of program categories. The total amount paid by the Organization in connection with this settlement was $1,686,766. Under the terms of the settlement agreement, the Organization is no longer at risk for audits for the years 2015 through 2017.

Chimes – DC has agreed to pay a fee to Source America (formerly the National Institute for the Severely Handicapped) and MD Works as compensation for procuring Federal government contracts for Chimes – DC in the amount of 4% of cash received for services from those contracts. The MD Works fee is a fixed fee and priced into the Source America Contract. Fees paid to Source America and MD Works for the years ended June 30, 2018 and 2017 totaled $2,655,703 and $2,553,175, respectively.

The Organization leases numerous residences and buildings for its clients and administration that are treated as operating leases. The future minimum lease payments as of June 30, 2018 are as follows:

Years ending June 30,	2019	$	3,425,248
	2020		1,786,054
	2021		1,441,371
	2022		1,405,808
	2023		1,399,651
	Thereafter		3,491,847

Rent expense included in facilities expense on the consolidated and combined statements of functional expenses for the years ended June 30, 2018 and 2017 was $4,407,760 and $4,163,116 respectively.

NOTE P – COMMITMENTS AND CONTINGENCIES – Continued

The Organization acts as an agent on behalf of individuals served regarding the holding of client cash funds. At June 30, 2018 and 2017, the Organization was holding $561,367 and $542,667, respectively, in client funds, which have not been reflected in these consolidated and combined financial statements.

In September 2015, an agreement was entered into between Holcomb and the COO. Upon the COO's retirement, the COO will be entitled to a severance payment for two weeks of base salary for every year of service worked at Holcomb. This amount is to be paid in a lump sum no later than August 31, 2017, upon completion of six months of consulting services. Holcomb has employed the COO for 21 years. During the prior year, the COO retired. As of June 30, 2017, Holcomb accrued $170,422, for this liability. In August 2017, this liability was paid in full.

Legal Contingencies:

The Organization is involved in litigation arising in the ordinary course of business. With the exception noted below, the ultimate outcome of these matters is not presently determinable; it is the opinion of management that the resolution of outstanding claims will not have a material adverse effect on the consolidated and combined financial statements of the Organization.

Department of Labor v. Chimes District of Columbia, Inc., et al. On October 30, 2015, the U.S. Department of Labor filed a lawsuit in the U.S. District Court for the District of Maryland against Chimes District of Columbia, Inc., Chimes International, Ltd., and a current and former employee of Chimes DC (as well as other unrelated parties). The lawsuit alleges certain violations of the Employee Retirement Income Security Act of 1974 in connection with the operation of the Chimes D.C. Inc. Health & Welfare Plan. The Company (and related parties) do not believe that their actions were improper and the Company (and related parties) intend to defend vigorously any claims of wrongdoing. It is too early to tell whether the Department of Labor might prevail against the Company and the related parties. A reserve in the amount of $958,386 has been established as of June 30, 2018 and 2017 and is included in accrued expenses on the consolidated and combined statements of financial position to address anticipated costs associated with the defense of the Company in this matter.

Letters of Credit

The Organization held several letters of credits with BB&T. At June 30, 2018 and 2017, three letters of credit to ensure payment for workers compensation insurance totaled $3,599,000 and $3,149,000, respectively. These letters of credit are issued under the $13,000,000 credit facility from BB&T for Chimes International (see Note G). In 2018 and 2017, the Organization held two letters of credit totaling $8,800 and $68,400, respectively, through BB&T to ensure performance under building permits issued to local municipalities.

NOTE Q – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest during the years ended June 30, 2018 and 2017 was $539,376 and $567,557, respectively.

NOTE R – DUE FROM/TO THIRD-PARTY PAYOR

Amounts due to third-party payor include monies the Organization received in excess of grant funds or room and board, which is due back to the state. The Organization's total amount due to third-party payors as June 30, 2018 and 2017 is $2,183,058 and $4,357,781, respectively.

NOTE S – INVESTMENT IN CLOSELY HELD COMPANY

As of June 30, 2018, The Chimes Foundation held a 49% interest in a closely held corporation (the Corporation) with no capital investment. The Corporation operates on a calendar year. The Chimes Foundation makes short-term loans to the Corporation from time to time, with interest payable at a rate of prime plus 2% adjusted monthly. There was a $25,000 and $50,000 balance as of the years ended June 30, 2018 and 2017, respectively. The agreement states that International, which provides accounting and payroll services, receives a management fee of 3% of the Corporation's gross revenues. Total management fee income was $88,410 and $110,336 for the years ending June 30, 2018 and 2017, respectively. This fee is taxable under Internal Revenue Code Section 512. For the years ended June 30, 2018 and 2017, there was no liability for unrelated business income taxes.

SUPPLEMENTARY INFORMATION

REPORT ON SUPPLEMENTARY INFORMATION

Independent Auditors' Report

To The Board of Directors and Officers
Chimes International Limited and Related Entities
Baltimore, Maryland

We have audited the consolidated and combined financial statements of Chimes International Limited and Related Entities as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated November 14, 2018, which contained an unqualified opinion on those consolidated and combined financial statements.

Report on Supplementary Consolidating and Combining Information

Our audits were performed for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The consolidating and combining information is presented for the purposes of additional analysis and is not a required part of the consolidated and combined 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 consolidated and combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements or to the consolidated and combined 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 consolidated and combined financial statements as a whole.

Gorfine, Schiller + Gardyn, P.A.

November 14, 2018
Owings Mills, Maryland

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING AND COMBINING SCHEDULE OF FINANCIAL POSITION
June 30, 2018

	The Chimes, Inc and Related Entity	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 174,334	$ 55,204	$ 2,352,452	$ 19,492	$ 4,677,343
Accounts receivable, net of allowance for doubtful accounts	1,278,864	6,483,592	16,515,515	630,488	42,954
Pledges receivable, net	-	-	-	-	-
Prepaid expenses	144,940	100,029	57,435	50,915	455,678
Loans receivable	-	-	-	-	-
Notes receivable from affiliates, current portion	-	-	-	-	-
Investments, current	-	-	-	-	-
Due to related parties	13,968,846	300,328	16,657,381	2,458,422	15,720,994
Total current assets	15,566,984	6,939,153	35,582,783	3,159,317	20,896,969
NONCURRENT ASSETS					
Restricted cash	-	-	-	-	-
Land, buildings and equipment, net of accumulated depreciation	17,015,843	4,806,097	1,269,782	1,065,811	1,016,880
Note receivable from affiliates, net	-	-	-	-	-
Investments, long-term	-	-	-	-	-
Other noncurrent assets	20,183	36,609	1,803	33,610	377,125
Total noncurrent assets	17,036,026	4,842,706	1,271,585	1,099,421	1,394,005
TOTAL ASSETS	$ 32,603,010	$ 11,781,859	$ 36,854,368	$ 4,258,738	$ 22,290,974

See independent auditors' report on supplementary information.

Holcomb Associates, Inc.	Open Door, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Totals
$ 1,656,094	$ 308,170	$ 117,053	$ 3,614,801	$ -	$ 12,974,943
4,237,159	71,749	155,275	-	-	29,415,596
-	-	-	91,571	-	91,571
308,049	9,110	-	12,528	-	1,138,684
-	-	-	25,000	-	25,000
-	-	-	195,287	(195,287)	-
-	-	-	6,355,294	-	6,355,294
346,519	167,754	216,571	139,000	(49,975,815)	-
6,547,821	556,783	488,899	10,433,481	(50,171,102)	50,001,088
-	-	-	349,595	-	349,595
5,306,369	462,675	1,037	7,907	-	30,952,401
-	-	-	1,451,802	(1,451,802)	-
-	-	-	1,475,810	-	1,475,810
1,516	6,683	-	93,507	-	571,036
5,307,885	469,358	1,037	3,378,621	(1,451,802)	33,348,842
$ 11,855,706	$ 1,026,141	$ 489,936	$ 13,812,102	$ (51,622,904)	$ 83,349,930

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING AND COMBINING SCHEDULE OF FINANCIAL POSITION - CONTINUED
June 30, 2018

	The Chimes, Inc and Related Entity	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current maturities of long-term debt	$ 172,621	$ 160,112	$ -	$ 49,667	$ 205,750
Short-term borrowings	-	-	-	-	-
Accounts payable	1,018,518	372,354	2,893,005	105,731	488,964
Accrued expenses and other liabilities	2,183,239	1,322,444	8,474,077	308,322	5,398,986
Deferred revenue	1,505,904	-	203,247	-	-
Deferred rent	-	-	-	-	-
Due to third-party payors	2,183,058	-	-	-	-
Due to related parties	18,876,488	4,412,728	7,227,206	48,051	14,116,616
Total current liabilities	25,939,828	6,267,638	18,797,535	511,771	20,210,316
LONG-TERM LIABILITIES					
Bonds payable, net	-	1,555,021	-	-	-
Mortgages and notes payable, net	1,313,838	1,035,269	-	471,833	4,237,440
Interest rate swap	-	-	-	-	12,109
Total long-term liabilities, net of current maturities	1,313,838	2,590,290	-	471,833	4,249,549
Total liabilities	27,253,666	8,857,928	18,797,535	983,604	24,459,865
NET ASSETS (DEFICIENCY)					
Unrestricted					
Undesignated	5,349,344	2,923,931	18,056,833	3,275,134	(2,168,891)
Board designated	-	-	-	-	-
	5,349,344	2,923,931	18,056,833	3,275,134	(2,168,891)
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	-	-	-
Total net assets (deficiency)	5,349,344	2,923,931	18,056,833	3,275,134	(2,168,891)
TOTAL LIABILITIES AND NET ASSETS	$ 32,603,010	$ 11,781,859	$ 36,854,368	$ 4,258,738	$ 22,290,974

	Holcomb Associates, Inc.	Open Door, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Totals
	$ 118,122	$ -	$ -	$ -	$ (195,287)	$ 510,985
	872,204	-	-	-	-	872,204
	173,227	5,287	42,371	15,528	-	5,114,985
	2,156,849	88,112	52,380	25,637	-	20,010,046
	-	-	-	-	-	1,709,151
	208,179	-	-	-	-	208,179
	-	-	-	-	-	2,183,058
	3,149,203	477,061	-	1,668,462	(49,975,815)	-
	6,677,784	570,460	94,751	1,709,627	(50,171,102)	30,608,608
	-	-	-	-	-	1,555,021
	1,909,660	-	-	-	(1,451,802)	7,516,238
	-	-	-	-	-	12,109
	1,909,660	-	-	-	(1,451,802)	9,083,368
	8,587,444	570,460	94,751	1,709,627	(51,622,904)	39,691,976
	3,268,262	455,681	395,185	9,417,654	605,985	41,579,118
	-	-	-	16,341	-	16,341
	3,268,262	455,681	395,185	9,433,995	605,985	41,595,459
	-	-	-	843,075	(605,985)	237,090
	-	-	-	1,825,405	-	1,825,405
	3,268,262	455,681	395,185	12,102,475	-	43,657,954
	$ 11,855,706	$ 1,026,141	$ 489,936	$ 13,812,102	$ (51,622,904)	$ 83,349,930

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING AND COMBINING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2018

	The Chimes, Inc and Related Entity	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
REVENUE AND OTHER SUPPORT					
Mental health services	$ -	$ -	$ -	$ -	$ -
Developmental disabilities services	50,345,782	26,521,781	-	6,264,820	-
Employment contractual services	-	-	81,670,650	-	-
Management fees	-	-	-	-	10,520,482
Donations and grants	95,733	-	-	-	-
Miscellaneous	299,559	1,574	10,143	15	88,875
Fundraising income, net of fundraising expenses of $326,986	-	-	-	-	-
Total revenue, gains and other support	50,741,074	26,523,355	81,680,793	6,264,835	10,609,357
EXPENSES					
Program services					
Mental health services	-	-	-	-	-
Developmental disabilities services	47,450,520	23,190,345	-	5,178,979	-
Employment contractual services	-	-	67,517,631	-	-
Grants	-	-	-	-	4,941
Total program services	47,450,520	23,190,345	67,517,631	5,178,979	4,941
Supporting services					
Administrative expenses	4,900,271	4,193,215	11,241,633	788,059	9,543,023
Fundraising expenses	-	-	-	-	-
Total supporting services	4,900,271	4,193,215	11,241,633	788,059	9,543,023
Total expenses and losses	52,350,791	27,383,560	78,759,264	5,967,038	9,547,964
OPERATING INCOME	(1,609,717)	(860,205)	2,921,529	297,797	1,061,393
OTHER INCOME (LOSS)					
Investment income	-	-	-	-	-
Gain on interest rate swap	-	-	-	-	31,700
Gain (loss) on sale of assets	34,108	(3,058)	12,250	-	-
Net other income (loss)	34,108	(3,058)	12,250	-	31,700
CHANGES IN NET ASSETS	(1,575,609)	(863,263)	2,933,779	297,797	1,093,093
NET ASSETS (DEFICIENCY), Beginning	6,924,953	3,787,194	15,123,054	2,977,337	(3,261,984)
NET ASSETS (DEFICIENCY), Ending	$ 5,349,344	$ 2,923,931	$ 18,056,833	$ 3,275,134	$ (2,168,891)

Holcomb Associates, Inc.	Open Door, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Totals
$ 29,999,147	$ 1,589,972	$ 652,351	$ -	$ -	$ 32,241,470
-	-	-	-	(1,207,515)	81,924,868
-	-	-	-	(216,924)	81,453,726
291,123	-	-	-	(10,723,166)	88,439
11,510	3,855	2,390	502,540	-	616,028
1,088	-	82,916	-	(260,052)	224,118
-	-	-	180,461	-	180,461
30,302,868	1,593,827	737,657	683,001	(12,407,657)	196,729,110
24,915,010	1,380,207	554,984	-	-	26,850,201
-	-	-	-	(1,386,735)	74,433,109
-	-	-	-	-	67,517,631
-	-	-	238,567	-	243,508
24,915,010	1,380,207	554,984	238,567	(1,386,735)	169,044,449
5,608,085	330,054	141,593	544,057	(11,109,730)	26,180,260
-	-	-	161,881	-	161,881
5,608,085	330,054	141,593	705,938	(11,109,730)	26,342,141
30,523,095	1,710,261	696,577	944,505	(12,496,465)	195,386,590
(220,227)	(116,434)	41,080	(261,504)	88,808	1,342,520
-	-	-	1,226,239	(88,808)	1,137,431
-	-	-	-	-	31,700
-	-	-	-	-	43,300
-	-	-	1,226,239	(88,808)	1,212,431
(220,227)	(116,434)	41,080	964,735	-	2,554,951
3,488,489	572,115	354,105	11,137,740	-	41,103,003
$ 3,268,262	$ 455,681	$ 395,185	$ 12,102,475	$ -	$ 43,657,954

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING AND COMBINING SCHEDULE OF LAND, BUILDINGS AND EQUIPMENT
June 30, 2018

	The Chimes, Inc and Related Entity	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
Land	$ 2,885,305	$ 880,048	$ -	$ 155,053	$ -
Buildings and improvements	28,158,378	4,850,939	-	777,501	-
Land improvements	337,697	-	-	10,720	9,458
Automobiles	3,710,162	605,042	1,646,298	549,321	84,841
Furnishings and equipment	4,614,934	1,480,964	3,852,779	365,415	7,933,877
Leasehold improvements	788,230	1,882,119	26,616	292,629	778,085
	40,494,706	9,699,112	5,525,693	2,150,639	8,806,261
Less: accumulated depreciation	23,478,863	4,893,015	4,255,911	1,084,828	7,789,381
	$ 17,015,843	$ 4,806,097	$ 1,269,782	$ 1,065,811	$ 1,016,880

Holcomb Associates, Inc.		Open Door, Inc.		Chester County Council on Addictive Diseases, Inc.		Chimes Foundation, Incorporated		Totals
$	830,770	$	100,000	$	-	$	7,907	$	4,859,083
	5,329,894		548,681		-		-		39,665,393
	-		-		-		-		357,875
	1,066,778		-		-		-		7,662,442
	2,059,396		132,724		13,604		-		20,453,693
	185,858		73,936		-		-		4,027,473
	9,472,696		855,341		13,604		7,907		77,025,959
	4,166,327		392,666		12,567		-		46,073,558
$	5,306,369	$	462,675	$	1,037	$	7,907	$	30,952,401

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING AND COMBINING SCHEDULE OF FINANCIAL POSITION
June 30, 2017

	The Chimes, Inc and Related Entity	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 131,144	$ 11,634	$ 2,684,191	$ 6,758	$ 13,390,991
Cash - deferred compensation	-	-	-	-	-
Accounts receivable, net of allowance for doubtful accounts	1,659,764	2,151,993	8,974,686	578,095	157,460
Pledges receivable, net	-	-	-	-	-
Prepaid expenses	156,335	99,957	38,305	48,106	650,457
Current portion of loans receivable	-	-	-	-	-
Notes receivable from affiliates, current portion	-	-	-	-	-
Investments, current	-	-	-	-	-
Due from related party	11,224,581	1,069,525	12,048,922	2,046,618	2,325,009
Total current assets	13,171,824	3,333,109	23,746,104	2,679,577	16,523,917
NONCURRENT ASSETS					
Restricted cash	-	-	-	-	-
Land, buildings and equipment, net of accumulated depreciation	18,088,012	5,079,471	1,105,096	1,200,149	864,405
Long-term pledges receivable, net	-	-	-	-	-
Note receivable from affiliates, net	-	-	-	-	-
Investments, long-term	-	-	-	-	-
Other noncurrent assets	35,781	35,022	7,275	36,381	379,376
Total noncurrent assets	18,123,793	5,114,493	1,112,371	1,236,530	1,243,781
TOTAL ASSETS	$ 31,295,617	$ 8,447,602	$ 24,858,475	$ 3,916,107	$ 17,767,698

See independent auditors' report on supplementary information.

Family-Child Resources, Inc.	Holcomb Associates, Inc.	Open Door, Inc.	Chester County Concil on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Totals
$ 62,550	$ 864,751	$ 156,198	$ 171,036	$ 2,034,043	$ -	$ 19,513,296
-	76,044	-	-	-	-	76,044
41,948	4,223,389	38,329	159,359	2,759	-	17,987,782
-	-	-	-	35,550	-	35,550
3,317	352,573	9,095	-	20,438	-	1,378,583
-	-	-	-	50,000	-	50,000
-	-	-	-	190,183	(190,183)	-
-	-	-	-	5,995,270	-	5,995,270
-	1,290,836	83,782	94,000	143,727	(30,327,000)	-
107,815	6,807,593	287,404	424,395	8,471,970	(30,517,183)	45,036,525
-	-	-	-	93,198	-	93,198
1,347,572	4,235,572	487,808	3,123	7,907	-	32,419,115
-	-	-	-	26,034	-	26,034
-	-	-	-	1,647,063	(1,647,063)	-
-	-	-	-	1,882,344	-	1,882,344
-	1,000	6,683	-	102,031	-	603,549
1,347,572	4,236,572	494,491	3,123	3,758,577	(1,647,063)	35,024,240
$ 1,455,387	$ 11,044,165	$ 781,895	$ 427,518	$ 12,230,547	$ (32,164,246)	$ 80,060,765

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING AND COMBINING SCHEDULE OF FINANCIAL POSITION - CONTINUED
June 30, 2017

	The Chimes, Inc and Related Entity	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current maturities of long-term debt	$ 165,939	$ 1,238,319	$ -	$ 49,667	$ 197,965
Short term borrowings	-	-	-	-	-
Accounts payable	818,017	308,603	2,097,295	74,965	885,753
Accrued expenses and other liabilities	2,731,000	1,061,688	7,254,698	246,896	3,715,351
Deferred revenue	567,805	-	70,325	-	-
Deferred rent	-	-	-	-	-
Due to third party payors	4,357,781	-	-	-	-
Due to related parties	14,246,498	393,296	313,103	45,742	11,784,018
Total current liabilities	22,887,040	3,001,906	9,735,421	417,270	16,583,087
LONG-TERM LIABILITIES					
Bonds payable	-	1,658,502	-	-	-
Mortgages and notes payable	1,483,624	-	-	521,500	4,402,786
Interest rate swap	-	-	-	-	43,809
Total long-term liabilities, net of current maturities	1,483,624	1,658,502	-	521,500	4,446,595
Total liabilities	24,370,664	4,660,408	9,735,421	938,770	21,029,682
NET ASSETS					
Unrestricted					
Undesignated	6,924,953	3,787,194	15,123,054	2,977,337	(3,261,984)
Board designated	-	-	-	-	-
	6,924,953	3,787,194	15,123,054	2,977,337	(3,261,984)
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	-	-	-
Total net assets	6,924,953	3,787,194	15,123,054	2,977,337	(3,261,984)
TOTAL LIABILITIES AND NET ASSETS	$ 31,295,617	$ 8,447,602	$ 24,858,475	$ 3,916,107	$ 17,767,698

See independent auditors' report on supplementary information.

Family-Child Resources, Inc.	Holcomb Associates, Inc.	Open Door, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Totals
$ -	$ 112,345	$ -	$ -	$ -	$ (190,183)	$ 1,574,052
-	1,660,978	-	-	-	-	1,660,978
2,212	210,910	10,665	27,735	33,802	-	4,469,957
59,910	2,263,060	195,338	34,400	-	-	17,562,341
-	-	-	1,615	-	-	639,745
-	204,269	-	-	-	-	204,269
-	-	-	-	-	-	4,357,781
1,378,955	1,092,943	3,777	9,663	1,059,005	(30,327,000)	-
1,441,077	5,544,505	209,780	73,413	1,092,807	(30,517,183)	30,469,123
-	-	-		-	-	1,658,502
-	2,025,481	-		-	(1,647,063)	6,786,328
-	-	-	-	-	-	43,809
-	2,025,481	-	-	-	(1,647,063)	8,488,639
1,441,077	7,569,986	209,780	73,413	1,092,807	(32,164,246)	38,957,762
14,310	3,474,179	572,115	354,105	8,832,828	531,835	39,329,926
-	-	-	-	14,112	-	14,112
14,310	3,474,179	572,115	354,105	8,846,940	531,835	39,344,038
-	-	-	-	720,708	(531,835)	188,873
-	-	-	-	1,570,092	-	1,570,092
14,310	3,474,179	572,115	354,105	11,137,740	-	41,103,003
$ 1,455,387	$ 11,044,165	$ 781,895	$ 427,518	$ 12,230,547	$ (32,164,246)	$ 80,060,765

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING AND COMBINING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2017

	The Chimes, Inc and Related Entity	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
REVENUE AND OTHER SUPPORT					
Mental health services	$ -	$ -	$ -	$ -	$ -
Developmental disabilities services	50,097,877	26,933,123	-	6,341,500	-
Employment contractual services	-	-	77,855,106	-	-
Management Fees	-	-	-	-	8,304,884
Donations and grants	522,064	-	-	-	-
Miscellaneous	294,378	6,208	9,164	100	102,870
Fundraising income, net of fundraising expenses of $390,983	-	-	-	-	-
Total revenue and other support	50,914,319	26,939,331	77,864,270	6,341,600	8,407,754
EXPENSES					
Program services					
Mental health services	-	-	-	-	-
Developmental disabilities services	47,939,110	23,021,156	-	5,119,772	-
Employment contractual services	-	-	66,243,456	-	-
Grants	-	-	-	-	-
Total program expenses	47,939,110	23,021,156	66,243,456	5,119,772	-
Supporting services					
Administrative	3,816,722	3,524,295	8,903,285	830,841	9,039,093
Fundraising	-	-	-	-	-
Total supporting services	3,816,722	3,524,295	8,903,285	830,841	9,039,093
Total expenses	51,755,832	26,545,451	75,146,741	5,950,613	9,039,093
OPERATING INCOME	(841,513)	393,880	2,717,529	390,987	(631,339)
OTHER INCOME (LOSS)					
Investment income	-	-	-	-	-
Gain on interest rate swap	-	-	-	-	145,489
Gain (loss) on sale of assets	5,719	-	3,036	-	-
Net other income (loss)	5,719	-	3,036	-	145,489
CHANGES IN NET ASSETS	(835,794)	393,880	2,720,565	390,987	(485,850)
NET ASSETS (DEFICIENCY), Beginning	7,760,747	3,393,314	12,402,489	2,586,350	(2,776,134)
NET ASSETS (DEFICIENCY), Ending	$ 6,924,953	$ 3,787,194	$ 15,123,054	$ 2,977,337	$ (3,261,984)

Family-Child Resources, Inc.	Holcomb Associates, Inc.	Open Door, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Totals
$ 798,328	$ 28,104,529	$ 1,677,077	$ 571,040	$ -	$ -	$ 31,150,974
-	-	-	-	-	(1,453,868)	81,918,632
-	-	-	-	-	(258,616)	77,596,490
-	192,000	-	-	-	(8,386,548)	110,336
1,062	115,265	10,500	-	304,091	(42,623)	910,359
-	13	3,345	79,468	-	(140,047)	355,499
-	-	-	-	56,600	-	56,600
799,390	28,411,807	1,690,922	650,508	360,691	(10,281,702)	192,098,890
679,818	23,909,933	1,668,141	537,300	-	-	26,795,192
-	-	-	-	-	(1,656,262)	74,423,776
-	-	-	-	-	-	66,243,456
-	-	-	-	212,581	(42,623)	169,958
679,818	23,909,933	1,668,141	537,300	212,581	(1,698,885)	167,632,382
121,944	4,951,155	244,343	60,540	693,588	(8,676,186)	23,509,620
-	-	-	-	139,631	-	139,631
121,944	4,951,155	244,343	60,540	833,219	(8,676,186)	23,649,251
801,762	28,861,088	1,912,484	597,840	1,045,800	(10,375,071)	191,281,633
(2,372)	(449,281)	(221,562)	52,668	(685,109)	93,369	817,257
-	-	-	-	1,173,529	(93,369)	1,080,160
-	-	-	-	-	-	145,489
-	(621,524)	-	-	-	-	(612,769)
-	(621,524)	-	-	1,173,529	(93,369)	612,880
(2,372)	(1,070,805)	(221,562)	52,668	488,420	-	1,421,504
16,682	4,544,984	793,677	301,437	10,649,320	-	39,672,866
$ 14,310	$ 3,474,179	$ 572,115	$ 354,105	$ 11,137,740	$ -	$ 41,103,003

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING AND COMBINING SCHEDULE OF LAND, BUILDINGS AND EQUIPMENT
June 30, 2017

	The Chimes, Inc and Related Entity	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
Land	$ 2,885,305	$ 880,048	$ -	$ 155,053	$ -
Buildings and improvements	28,096,305	4,830,606	-	777,501	-
Land improvements	337,697	-	-	10,720	11,458
Automobiles	3,770,763	605,042	1,487,640	549,321	84,841
Furnishings and equipment	4,431,662	1,466,591	3,472,270	347,997	7,410,275
Leasehold improvements	788,230	1,886,268	26,616	292,629	726,869
	40,309,962	9,668,555	4,986,526	2,133,221	8,233,443
Less: accumulated depreciation	22,221,950	4,589,084	3,881,430	933,072	7,369,038
	$ 18,088,012	$ 5,079,471	$ 1,105,096	$ 1,200,149	$ 864,405

Family-Child Resources, Inc.	Holcomb Associates, Inc.	Open Door, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Totals
$ 250,270	$ 580,500	$ 100,000	$ -	$ 7,907	$ 4,859,083
1,681,525	3,648,369	548,681	-	-	39,582,987
-	-	-	-	-	359,875
-	976,494	-	-	-	7,474,101
124,177	1,841,511	132,724	13,604	-	19,240,811
-	177,758	73,936	-	-	3,972,306
2,055,972	7,224,632	855,341	13,604	7,907	75,489,163
708,400	2,989,060	367,533	10,481	-	43,070,048
$ 1,347,572	$ 4,235,572	$ 487,808	$ 3,123	$ 7,907	$ 32,419,115