

Chimes International Limited and Related Entities

Consolidated Financial Report
June 30, 2019

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Chimes International Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Chimes International Limited and Related Entities (the Organization), which comprise the consolidated statements of financial position as of June 30, 2019, the consolidated related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Note 1 to the consolidated financial statements, the Organization retrospectively adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional footnote disclosures and changes to the classification of net assets.

Other Matters

The consolidated financial statements of Chimes International Limited and Related Entities as of and for the year ended June 30, 2018 were audited by other auditors, whose report, dated November 17, 2018, and restated October 31, 2019, expressed an unmodified opinion on those statements.

RSM US LLP

Baltimore, Maryland
December 23, 2019

Chimes International Limited and Related Entities

Consolidated Statements of Financial Position June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,595,366	\$ 12,974,943
Accounts receivable, net	20,045,877	29,415,596
Pledges receivable, net	86,409	91,571
Grants receivable	1,855,692	-
Prepaid expenses	1,610,486	1,138,684
Loans receivable	-	25,000
Note receivable, current portion	9,996	-
Investments, current	7,844,486	6,355,294
Total current assets	42,048,312	50,001,088
Noncurrent assets:		
Restricted cash	180,128	349,595
Property and equipment, net	29,734,751	30,952,401
Investments, long-term	2,071,134	1,475,810
Note receivable, net of current portion	139,686	-
Other noncurrent assets	521,641	571,036
Total noncurrent assets	32,647,340	33,348,842
Total assets	\$ 74,695,652	\$ 83,349,930
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term debt	\$ 602,640	\$ 510,985
Short-term borrowings	-	872,204
Accounts payable	6,444,050	5,114,985
Accrued expenses and other liabilities	16,877,548	20,486,241
Deferred revenue and refundable advances	130,279	311,740
Due to third-party payors	1,462,094	1,165,086
Total current liabilities	25,516,611	28,461,241
Long-term liabilities:		
Deferred rent	217,204	208,179
Bonds payable, net of current portion	-	1,555,021
Mortgages and notes payable, net of current portion	9,797,360	7,516,238
Interest rate swap	-	12,109
Total long-term liabilities	10,014,564	9,291,547
Total liabilities	35,531,175	37,752,788
Net assets:		
Without donor restrictions:		
Undesignated	35,739,851	42,508,370
Board designated	669,485	605,985
	36,409,336	43,114,355
With donor restrictions	2,755,141	2,482,787
Total net assets	39,164,477	45,597,142
Total liabilities and net assets	\$ 74,695,652	\$ 83,349,930

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

**Consolidated Statement of Activities
Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Behavioral health services	\$ 33,540,862	\$ -	\$ 33,540,862
Developmental disabilities services	81,093,376	-	81,093,376
Employment contractual services	86,537,388	-	86,537,388
Management fees	65,281	-	65,281
Donations and grants	775,670	40,759	816,429
Miscellaneous	600,016	-	600,016
Fundraising income, net of fundraising expenses of \$368,328	132,663	-	132,663
Net assets released from restrictions	5,176	(5,176)	-
Total revenue and other support	202,750,432	35,583	202,786,015
Expenses:			
Program services:			
Mental health services	25,777,129	-	25,777,129
Developmental disabilities services	72,202,723	-	72,202,723
Employment contractual services	71,788,172	-	71,788,172
Grants	2,682,228	-	2,682,228
Total program services	172,450,252	-	172,450,252
Supporting services:			
Management and general	37,357,760	-	37,357,760
Fundraising expenses	661,927	-	661,927
Total supporting services	38,019,687	-	38,019,687
Total expenses	210,469,939	-	210,469,939
Change in net assets before other income	(7,719,507)	35,583	(7,683,924)
Other income:			
Investment income - net	810,850	236,771	1,047,621
Gain on sale of assets	203,638	-	203,638
Other income	1,014,488	236,771	1,251,259
Change in net assets	(6,705,019)	272,354	(6,432,665)
Net assets:			
Beginning	43,114,355	2,482,787	45,597,142
Ending	\$ 36,409,336	\$ 2,755,141	\$ 39,164,477

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

**Consolidated Statement of Activities
Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Behavioral health services	\$ 32,241,470	\$ -	\$ 32,241,470
Developmental disabilities services, as restated	83,864,056	-	83,864,056
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 \$326,986	180,461	-	180,461
Total revenue and other support	198,668,298	-	198,668,298
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:			
Management and general	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
Change in net assets before other income	3,281,708	-	3,281,708
Other income:			
Investment income - net	833,901	303,530	1,137,431
Gain on interest rate swap	31,700	-	31,700
Gain on sale of assets	43,300	-	43,300
Other income	908,901	303,530	1,212,431
Change in net assets	4,190,609	303,530	4,494,139
Net assets:			
Beginning	38,923,746	2,179,257	41,103,003
Ending	\$ 43,114,355	\$ 2,482,787	\$ 45,597,142

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

Consolidated Statement of Functional Expenses Year Ended June 30, 2019 (With Comparative Totals for 2018)

	2019								2018	
	Mental Health Services	Developmental Disabilities Services	Employment Services	Grant	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 16,124,557	\$ 35,775,550	\$ 32,018,763	\$ 1,017,783	\$ 84,936,653	\$ 13,980,943	\$ -	\$ 13,980,943	\$ 98,917,596	\$ 95,315,193
Salaries Overtime	758,870	5,972,316	509,502	45,026	7,285,714	64,313	-	64,313	7,350,027	6,543,873
Temporary Labor	1,175,309	2,898,118	-	256	4,073,683	425,718	-	425,718	4,499,401	4,668,369
Client Payroll	-	1,603,578	-	-	1,603,578	-	-	-	1,603,578	1,756,101
Fringe Benefits	3,157,740	11,142,398	15,127,431	265,903	29,693,472	2,972,653	-	2,972,653	32,666,125	30,987,578
Consultants & Contractual	58,625	785,103	18,336	125	862,189	8,506,941	35,878	8,542,819	9,405,008	6,686,093
Telephone	407,775	388,415	179,141	2,919	978,250	275,304	-	275,304	1,253,554	1,154,947
Office & Other Expenses	876,760	446,797	3,642,259	16,557	4,982,373	2,161,267	118,263	2,279,530	7,261,903	7,129,264
Vehicle Leases, Operation & Travel	31,346	1,512,682	229,424	14,783	1,788,235	162,647	117	162,764	1,950,999	2,069,955
Building, Equipment and Furnishings	105,883	84,664	144,933	1,104	336,584	200,733	-	200,733	537,317	519,395
Repairs to Furnishings and Equipment	362,418	420,278	127,002	1,322	911,020	76,377	-	76,377	987,397	1,099,776
Housekeeping Supplies	41,969	342,556	-	-	384,525	6,783	-	6,783	391,308	445,235
Contract Maintenance & Service Contracts	-	1,145,506	15,384,608	2,107	16,532,221	1,078,541	9,012	1,087,553	17,619,774	15,215,233
Rent & Interest Expense	1,528,278	2,116,642	19,231	3,285	3,667,436	1,308,246	3,011	1,311,257	5,073,954	4,912,346
Utilities	257,447	1,174,954	18,538	4,756	1,455,695	261,551	455	262,006	1,717,701	1,636,111
Client Transportation	-	624,135	-	-	624,135	-	-	-	624,135	671,050
Supplemental Expenses	-	5,828	-	-	5,828	-	-	-	5,828	26,627
Food	178,078	1,771,010	-	-	1,949,088	52,451	167	52,618	2,001,706	2,120,343
Disposable Supplies	-	69,096	-	-	69,096	146	26	172	69,268	83,249
Kitchen & Food Service Supplies	-	40,839	-	-	40,839	51	-	51	40,890	51,472
Training Supplies & Equipment	184	67,922	3,850,253	-	3,918,359	737	-	737	3,919,096	4,022,302
Medical Supplies & Equipment	-	173,999	-	303	174,302	3,303	-	3,303	177,605	200,761
Program Activities	413,714	133,818	-	-	547,532	4,506,017	-	4,506,017	5,053,549	601,518
Purchase of Services	-	1,807,223	-	1,299,098	3,106,321	27,422	-	27,422	3,133,743	2,922,014
Donation Expense/Reserve	65,182	214,676	-	-	279,858	150,974	494,998	645,972	925,830	1,286,822
Depreciation	232,994	1,484,620	518,751	6,901	2,243,266	1,134,642	-	1,134,642	3,282,647	3,260,963
Total	\$ 25,777,129	\$ 72,202,723	\$ 71,788,172	\$ 2,682,228	\$ 172,450,252	\$ 37,357,760	\$ 661,927	\$ 38,019,687	\$ 210,469,939	\$ 195,386,590

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

Consolidated Statements of Cash Flows Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (6,432,665)	\$ 4,494,139
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,282,647	3,260,963
Amortization	95,261	51,910
(Decrease) increase in allowance for doubtful accounts	(99,656)	977,256
Realized and unrealized gain on investments, net	(873,352)	(1,007,087)
Gain on interest rate swap	(12,109)	(31,700)
Gain on sale of land, buildings and equipment	(203,638)	(43,300)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	9,469,375	(12,405,070)
Pledges receivable	5,162	(29,987)
Grants receivable	(1,855,692)	-
Prepaid expenses	(471,802)	239,899
Other noncurrent assets	49,395	32,513
Increase (decrease) in:		
Accounts payable	1,329,065	645,028
Accrued expenses and other liabilities	(3,132,498)	2,447,705
Deferred compensation and postemployment benefit obligation	-	76,044
Deferred rent	9,025	3,910
Due to third-party payors	1,218,224	(4,113,911)
Deferred revenue and refundable advances	(1,578,872)	1,069,406
Net cash provided by (used in) operating activities	797,870	(4,332,282)
Cash flows from investing activities:		
Purchases of investments	(3,111,937)	(761,514)
Property and equipment	(2,084,238)	(1,787,550)
Proceeds from sales of property and equipment	222,879	36,601
Proceeds from sales of investments	1,900,773	1,815,111
Decrease (increase) in restricted cash	169,467	(256,397)
Decrease in loans receivable	25,000	25,000
Increase in notes receivable	(149,682)	-
Net cash used in investing activities	(3,027,738)	(928,749)
Cash flows from financing activities:		
Principal payments on bonds	(1,709,656)	(103,481)
Principal payments on mortgages and notes payable	(7,967,849)	(385,067)
Payments on short-term borrowings, net	(872,204)	(788,774)
Proceeds from long-term debt	10,400,000	-
Net cash used in financing activities	(149,709)	(1,277,322)
Net decrease in cash and cash equivalents	(2,379,577)	(6,538,353)
Cash and cash equivalents:		
Beginning	12,974,943	19,513,296
Ending	\$ 10,595,366	\$ 12,974,943
Cash paid for interest	\$ 695,719	\$ 539,376

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities: 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 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
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 financial statements. On July 1, 2018, Open Door, Inc., an entity that Holcomb had sole membership of, merged into Holcomb.

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. As there is no majority overlap of board members between entities, Chimes Israel is not included in the consolidated financial statements.

A summary of significant accounting policies of the Organization is as follows:

Principles of consolidation: The accompanying consolidated financial statements include the financial statements of International, Chimes – Maryland, Chimes – Delaware, Chimes –VA, The Chimes Foundation, Holcomb, CES and COAD. All material inter-organization transactions and balances have been eliminated in consolidation.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Basis of accounting: The accompanying consolidated financial statements are presented on the accrual basis of accounting, whereby revenue is recognized when earned, and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Not-for-Profit Entities topic of the Accounting Standards Codification (Codification). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Represent resources that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations.

Board designated net assets: The board designated fund is included in cash and cash equivalents and investments on the consolidated statements of financial position. Board designated net assets were \$669,485 and \$605,985 as of June 30, 2019 and 2018, respectively.

Net assets with donor restrictions: Represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net assets may be restricted for various purposes, such as use in future periods or use for specified parties. Earnings on endowment funds are either net assets with donor restrictions for program purposes or are available for operations as specified by the donor.

Cash and cash equivalents: The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less, and with no operating restrictions, to be cash equivalents.

Financial Risk: The Organization has deposits in a financial institution in excess of amounts insured by the Federal Deposit Insurance Organization (FDIC). The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Receivables: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on review of all outstanding amounts. Management determines the allowance for doubtful accounts by evaluating individual accounts receivable and considering a customer's financial condition, credit history and current economic conditions. 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. The allowance for doubtful accounts at June 30, 2019 and 2018 was \$1,867,428 and \$1,987,312, respectively. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received.

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, which are expected to be received in less than one year. Total unconditional pledges for the years ended June 30, 2019 and 2018 are \$86,409 and \$91,571, respectively.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

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

Property and equipment: Property and equipment purchased by the Organization are recorded at cost. Donated furniture, fixtures and equipment purchased by the Organization are recorded at their fair value at the date of the gift. The Organization's capitalization policy ranges from \$1,000 to \$2,500, except where regulation requires a different amount. Depreciation is calculated using the straight line method over the estimated useful lives of the assets as follows:

Buildings and improvements	15-40 years
Land improvements	15 years
Automobiles	3-5 years
Furnishings and equipment	3-5 years
Leasehold improvements	Shorter of lease term or life of the asset

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, 2019, approximately \$705,000 of property and equipment was subject to this reversionary provision.

Valuation of long-lived assets: The Organization reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the net carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Investments: Investments are reflected at fair value. Gains and losses on investments resulting from their measurement at fair value are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulation or by law.

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 4 are amortized on a straight-line basis over the life of the related bonds and are included as a component of interest expense.

Derivative financial instrument: The Organization recognizes all derivative financial instruments in the consolidated 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 statements of activities as unrealized gain or loss on interest rate swap contracts.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

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.

Use of estimates: The preparation of financial statements in conformity with United States Generally Accepted Accounting Principles (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Self-insured medical plan: Effective January 1, 2019, the Organization maintains a self-insured medical plan that provides medical benefits to employees electing coverage under the plan. Under the plan, medical insurance coverage is obtained for each employee so that exposure to excessive medical expenses is capped in conjunction with certain stop loss provisions. Provisions for expenses expected under this program are recorded based upon the Organization's estimates of the aggregate liability for claims incurred.

The policy has a \$250,000 deductible limit for each "Loss Event" and an aggregate deductible of \$3,000,000. The medical plan is administered through a contractual relationship with a third-party plan administrator. However, the Organization is solely responsible for all claims incurred up to the amount of the stop loss provisions. The Organization's expense under the self-insured medical plan amounted to \$871,627 for the year ended June 30, 2019.

Self-insured workers compensation: The Organization maintains workers compensation insurance through a self-insured plan. The policy has a deductible of \$250,000 for each claim. Provisions for expenses expected under this program are recorded based upon the Organization's estimates of the aggregate liability for claims incurred. As of June 30, 2019 and 2018, cash reserves held in a separate account amount to \$1,384,931 and \$2,875,644, respectively. The Organization's liabilities under the self-insured plan amounted to \$4,164,383 and \$4,778,829 for the years ended June 30, 2019 and June 30, 2018, respectively.

Revenue recognition: The Organization's revenue is primarily derived from conditional grants and third-party reimbursements from various state and local government agencies and for services contracted on a fee-for-service basis. State and local grants are deemed to be earned and reported as revenue when the Organization has incurred expenditures in compliance with specific grant restrictions. Grant expenditures made, pending reimbursement, are recorded as accounts receivable. Grant funds received, but not yet spent, are recorded as deferred revenue. State and local grant amounts not expended in accordance with specific grant restrictions prior to the expiration of the grant period are refundable and recorded as a payable, unless otherwise instructed by the donating agency.

Revenue from fee-for-service contracts is recognized when the service is performed.

The majority of conditional grants and third-party reimbursement agreements are with the state or other municipalities in Maryland, Delaware and New Jersey, Commonwealths of Pennsylvania and Virginia and the District of Columbia. The concentration of revenue from the Mid-Atlantic area is not expected to have any significant future effect on the Organization.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited. Salaries and benefits are allocated based on estimates of time and effort. Depreciation, utilities, occupancy and repairs and maintenance costs are allocated based on square footage of the cost centers benefited.

Donated services: No amounts are recorded for donated personal services in these consolidated financial statements since the services do not meet the criteria requiring consolidated 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.

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 Organization's activities, with the exception of International, are subject to the tax on unrelated business income.

The Organization follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Accounting for Income Taxes. This topic requires the Organization 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. None of the Organization's activities are subject to the tax on unrelated business income. Generally, the Organization is no longer subject to income tax examinations by the U.S federal, state or local tax authorities for years before June 30, 2016.

Adopted accounting pronouncement: In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. As permitted by the ASU in the year of adoption, the liquidity and availability disclosures and statement of functional expenses are not presented on a comparative basis. This ASU was retrospectively adopted by the Organization in fiscal year 2019.

Recent accounting pronouncements: In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for the Organization for fiscal years beginning July 1, 2019. The Organization is in the process of evaluating the impact of this new guidance.

In June, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for the Organization for annual reporting periods beginning July 1, 2019. The Organization is in the process of evaluating the impact of this new guidance.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of and Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which changes the accounting for leases. While both lessees and lessors are affected by the new guidance, the effects on lessors is largely unchanged. Under the new guidance, lessees will be required to recognize the following for all long-term leases: (1) a lease liability, which is the lessee's obligation to make lease payments measured on a discounted basis, and (2) a right-of-use asset, which represents the lessee's right to use (or control use of) a specified asset for the lease term. The standard will be effective for the Organization for the fiscal year beginning July 1, 2021. The Organization is currently in the process of evaluating the impact of the new accounting guidance on its financial statements.

Reclassifications: Certain 2018 amounts have been reclassified to conform to 2019 presentation. These reclassifications had no effect on the previously reported change in net assets or net assets.

Subsequent events: The Organization evaluated subsequent events through December 23, 2019, which is the date the financial statements were available to be issued.

Note 2. Property and Equipment

Major classes of property and equipment at June 30, 2019 and 2018 are as follows:

	2019	2018
Land	\$ 4,859,083	\$ 4,859,083
Buildings and improvements	39,585,721	39,665,393
Land improvements	363,235	357,875
Automobiles	8,087,259	7,662,442
Furnishings and equipment	20,976,389	20,453,693
Leasehold improvements	4,051,588	4,027,473
	<u>77,923,275</u>	<u>77,025,959</u>
Less: accumulated depreciation	(48,188,524)	(46,073,558)
	<u>\$ 29,734,751</u>	<u>\$ 30,952,401</u>

Depreciation on these assets for the years ended June 30, 2019 and 2018 was \$3,282,647 and \$3,260,963, respectively.

Note 3. Investments and Fair Value Measurements

Investments included in the Organization's consolidated statements of financial position, all of which are held by The Chimes Foundation, at June 30, 2019 and 2018 are as follows:

	2019		2018	
	Cost	Market Value	Cost	Market Value
Corporate bonds	\$ 2,059,434	\$ 2,071,135	\$ 850,076	\$ 843,959
Common stocks	1,288,067	2,228,514	1,074,064	1,765,232
Mutual funds	4,026,334	5,384,042	3,974,393	4,942,927
REIT	22,106	32,681	34,492	38,642
Certificates of deposit	164,612	199,248	228,327	240,344
	<u>\$ 7,560,552</u>	<u>\$ 9,915,620</u>	<u>\$ 6,161,352</u>	<u>\$ 7,831,104</u>

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

The following schedule summarizes the investment income and its classification in the consolidated statements of activities for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 131,958	\$ 42,311	\$ 174,269
Realized and unrealized gains - net	678,892	194,460	873,352
	<u>\$ 810,850</u>	<u>\$ 236,771</u>	<u>\$ 1,047,621</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 85,676	\$ 44,668	\$ 130,344
Realized and unrealized gains - net	748,225	258,862	1,007,087
	<u>\$ 833,901</u>	<u>\$ 303,530</u>	<u>\$ 1,137,431</u>

The Fair Value Measurement topic of the Accounting Standards Codification (ASC) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Fair Value Topic of the Codification as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Fair Value Measurements topic of the ASC are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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, 2019 and 2018.

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.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

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.

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 counterparty 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, 2019			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 2,228,514	\$ -	\$ -	\$ 2,228,514
Mutual funds	5,384,042	-	-	5,384,042
Corporate bonds	-	2,071,135	-	2,071,135
REIT	32,681	-	-	32,681
Certificates of deposit	-	199,248	-	199,248
	<u>\$ 7,645,237</u>	<u>\$ 2,270,383</u>	<u>\$ -</u>	<u>\$ 9,915,620</u>

	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
	<u>\$ 6,746,801</u>	<u>\$ 1,084,303</u>	<u>\$ -</u>	<u>\$ 7,831,104</u>

	Liabilities as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Interest rate swap	\$ -	\$ 12,109	\$ -	\$ 12,109

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 4. Short-Term Borrowings

For the year ended June 30, 2018, Chimes International had a \$13,000,000 revolving line of credit note (International line of credit) with Branch Banking & Trust (BB&T) due on demand. The International line of credit was collateralized by 19 properties of Chimes – Maryland, and was cross-collateralized and cross-defaulted with all other loans to the borrower. The International line of credit's interest was equal to the daily LIBOR rate plus 275 basis points. On October 9, 2018, the original note was amended and restated to consolidate the Holcomb \$2,300,000 working capital line of credit with the International line of credit (consolidated line of credit), increasing the maximum line of credit amount to \$15,300,000. The consolidated line of credit is available to Chimes – DC, Chimes - Maryland, Chimes - Virginia, Chimes Delaware, International, and Holcomb for working capital purposes. The consolidated line of credit bears interest at the one month LIBOR rate plus 175 basis points (4.13% at June 30, 2019). The consolidated line of credit is scheduled to expire September 30, 2020. There was no outstanding balance for the consolidated line of credit as of June 30, 2019. The Organization did not meet its debt covenants for the year ended June 30, 2019 and successfully obtained a waiver from BB&T.

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 (4.16% and 2.93% as of June 30, 2019 and 2018, respectively). The loan is scheduled to expire June 30, 2020. There was no outstanding balance at June 30, 2019 and 2018.

Note 5. Bonds Payable

On December 29, 2010, the Delaware Economic Development Authority (DEDA) issued \$2,500,000 revenue bonds (Series 2010) to Chimes – Delaware. The bonds bear interest at the greater of 67% of the Federal Home Loan Board Rate plus 365 basis points (4% for the year ending June 30, 2018). The bonds payable balance was \$1,555,021 for the year ending June 30, 2018. On June 19, 2019, the bond was paid in full for from the amended and restated consolidated loan agreement with BB&T loan proceeds (see Note 6).

Note 6. Mortgages and Notes Payable

In June 2019, International refinanced its debt and entered into a term loan agreement with BB&T for a \$10,400,000 with its related entities, Chimes – DC, Chimes - Maryland, Chimes – VA, Chimes - Delaware, and Holcomb, of which all parties are jointly and severally liable. The note is secured by twenty properties of the Organization. The note bears interest at one-Month LIBOR plus 175 basis points (4.13% at June 30, 2019) and matures on October 20, 2032. The Organization did not meet its debt covenants for the year ended June 30, 2019 and successfully obtained a waiver from BB&T.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 6. Mortgages and Notes Payable (Continued)

The following mortgages and notes payable with their respective June 30, 2018 balance were paid off from the proceeds of the refinance during the year ended June 30, 2019:

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
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. (International)	4,489,550
Mortgage payable to a bank, payable until December 2027, monthly installments of \$8,765 including interest at 4.93%, collateralized by real property and improvements thereon. Balance was due in full December 2027 (Chimes - Delaware)	1,088,006
Mortgage payable to BB&T dated April 7, 2015, collateralized by the property at 290 Kirk Lane, Media, PA. The loan was 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 were \$579. The mortgage was secured by a deed of trust on the property. (Holcomb)	84,721
Mortgage payable to BB&T dated May 12, 1999, collateralized by the property at 1053 Glenn Hall Road, Kennett Square, PA. The loan was for a term of 300 months with a variable interest rate and was scheduled to mature August 2, 2024. The rates at June 30, 2018 was 3.39%. The monthly principal and interest was \$1,895. The mortgage is secured by a deed of the trust on the property. (Holcomb)	126,223
Mortgage payable to BB&T dated August 26, 1999, collateralized by the property at 515 Cherry Tree Road, Aston, PA. The loan was for a term of 300 months with a variable interest rate and was schedule to mature August 26, 2024. The rate at June 30, 2018 was 3.625%. The monthly payment of principal and interest was \$1,290. The mortgage was secured by a deed of trust on the property. (Holcomb)	85,606
Mortgage payable to DNB dated August 3, 2010, collateralized by the property at 920 Baltimore Avenue, Kennett Square, PA. The loan was for a term of 292 months with an interest rate of 4.50% per annum. The monthly payment of principal and interest was \$6,287 with the note scheduled to mature November 1, 2034. (Holcomb)	870,021
Mortgage payable to BB&T dated June 22, 2000, collateralized by the property at 115 Burmont Road, Drexel Hill, PA. The loan was for a term of 300 months with a variable interest rate and was scheduled to mature June 22, 2025. The monthly payment of principal and interest was \$1,041 with interest at the rate of 3.375% per annum. The mortgage was secured by a deed of trust on the property. (Holcomb)	77,752
Mortgage loan payable to BB&T in the original amount of \$880,000 collateralized by the property at 3995 East Market Street, York, PA. The mortgage, which was borrowed by Holcomb was for a term of 60 months, had a fixed interest rate of 3.99% per annum and was scheduled to mature April 7, 2020. The monthly principal and interest payments were \$5,355 with a balloon payment of \$727,009 due on April 7, 2020. The mortgage was secured by a deed of trust on the property.	<u>783,458</u>
Total	7,971,116
Less current maturities	(403,610)
Unamortized deferred financing fees	(51,268)
	<u>\$ 7,516,238</u>

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 6. Mortgage and Notes Payable (Continued)

Payments of principal during the next five years and thereafter as of June 30, 2019, are as follows:

Years ending June 30:	
2020	\$ 602,640
2021	627,192
2022	652,745
2023	679,339
2024	707,016
Thereafter	7,131,068
	<u>\$ 10,400,000</u>

Note 7. Interest Rate Swap

The Organization had an interest rate swap agreement related to its credit facilities with BB&T in the initial notional amount of \$5,230,275. 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. For the year ended June 30, 2018, the notional amount was \$5,097,750 and the swap was set to expire July 1, 2019. The Organization refinanced its debt (see Note 7) in June 2019 and as a result the swap agreement was terminated.

On June 19, 2019, the Organization entered into an interest rate swap agreement related to its refinanced credit with BB&T in the initial notional amount of \$10,400,000 and maturity date of October 20, 2032. This swap agreement requires payment of a fixed interest rate (3.97%) and the receipt of a variable rate of interest (LIBOR) on the notional amount of indebtedness. The value of the interest rate swap as of June 30, 2019 is insignificant to the consolidated financial statements.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specific purpose or period:		
Tina Hyatt Fund	\$ 248,683	\$ 237,090
Chimes Metro Millsboro	17,667	-
Chimes Maryland (Safeway)	4,824	-
Holcomb Clubhouse	1,500	-
Subject to the Organization's spending policy and appropriation:		
Weinberg Foundation Fund	2,459,313	2,222,777
Ina and Norman Lampner Fund	23,154	22,920
	<u>\$ 2,755,141</u>	<u>\$ 2,482,787</u>

There were \$5,176 of releases from restrictions for the Chimes Maryland (Safeway) Program for the year ended June 30, 2019. There were no releases from restrictions for the year ended June 30, 2018.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 9. Endowment

The FASB issued ASC Topic, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*. The accounting standard provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA was enacted into law in Maryland on April 14, 2009. The accounting standard also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds), whether or not the organization is subject to UPMIFA.

The Organization's endowment consists of two funds – The Weinberg Foundation Fund and the Ina and Norma Lampner Fund:

The Weinberg Foundation Fund: In 1995, The Chimes Foundation established an endowment fund called The Harry and Jeanette Weinberg Futures Fund (Weinberg Futures Fund) using contributions and matching funds from The Harry and Jeanette Weinberg Foundation. 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 support, including trainings and education to the direct care staff who support those individuals. 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, 2019 and 2018, no appropriations have been made from the endowment to allow for growth of the fund.

Ina and Norma Lampner Fund: In 2012, The Chimes Foundation received \$20,000 to establish an award in the names of Ina and Norman Lampner. The corpus of these funds is to be invested in perpetuity. Earnings on the corpus are restricted in accordance with the gift agreement. As of June 30, 2019 and 2018, no appropriations have been made from the endowment to allow for growth of the fund.

Interpretation of Relevant Law: The Board of Directors has interpreted the state of Maryland's enacted version of UPMIFA as requiring the Organization to manage and invest the individual donor-restricted endowment funds in good faith and with prudence. The Organization classifies as net assets with donor restrictions: (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 directions 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 consists of accumulated endowment earnings is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 9. Endowment (Continued)

Return objectives and spending and investment policies: The intention of the Board of Directors is that the Organization should continue to grow the endowment funds to earn and provide sustainable and reliable amounts annually to support the Organization's programs. There is currently no spending from the endowment funds and therefore no formal spending policy.

Changes in endowment net assets for the years ended June 30, 2019 and 2018, are as follows:

Donor-restricted endowment, July 1, 2017	\$ 1,975,542
Investment income	270,154
Donor-restricted endowment, June 30, 2018	<u>2,245,696</u>
Investment income	236,771
Donor-restricted endowment, June 30, 2019	<u><u>\$ 2,482,467</u></u>

Note 10. Retirement Plans

International has a 403(b) plan covering employees of International, Chimes – Maryland, Chimes – Delaware, and Chimes – VA. The plan matches contributions at 100% up to 3% of annual salary with 100% vesting after three years. 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, 2019 and 2018, was \$1,439,887 and \$1,231,351, respectively.

Holcomb had a 403(b) retirement plan which matched employee contributions at 50% up to 6% of annual salary, with 100% vesting after five years of participation. On April 1, 2018, the plan was merged with International's 403 (b) retirement plan. Contributions for the years ended June 30, 2019 and 2018 were \$269,148 and \$142,626, respectively.

Chimes – DC has a 403(b) deferred contribution retirement plan for all employees. On April 1, 2018, the plan was merged with International's 403 (b) retirement plan. The 403(b) contribution expense for the years ended June 30, 2019 and 2018, was \$112,697 and \$49,021 respectively.

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

Note 11. 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 financial statement purposes is recorded as deferred rent. Deferred rent was \$217,204 and \$208,179 at June 30, 2019 and 2018, respectively.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 11. Deferred Rent (Continued)

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

Years ending June 30:	
2020	\$ (33,208)
2021	(19,683)
2022	(1,023)
2023	17,203
2024	21,098
Thereafter	232,817
	<u>\$ 217,204</u>

Note 12. Commitments and Contingencies

The States of Maryland, Delaware and New Jersey, the 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 financial statements. During 2019, the Organization reached a settlement with the State of Delaware and agencies thereof, including but not limited to the Delaware Department of Health and Social Services, the Delaware Division of Medicaid and Medical Assistance, and the Delaware Division of Developmental Disabilities Services (State of Delaware) as the State of Delaware contends that Chimes has received overpayments for certain claims Chimes – Delaware submitted to the Medicaid Program. The settlement reached is neither an admission of liability by Chimes - Delaware nor a concession by the State of Delaware that their respective claims are not well founded. The total amount paid by the Organization in connection with this settlement was \$4,500,000, which was accomplished by an offset to the State of Delaware receivable balance.

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, 2019 and 2018 totaled \$2,684,376 and \$2,655,703, 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, 2019 are as follows:

Years ending June 30:	
2020	\$ 2,678,062
2021	1,675,578
2022	1,541,341
2023	1,298,356
2024	1,079,566
Thereafter	3,055,246
	<u>\$ 11,328,149</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$4,222,258 and \$4,195,684, respectively.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 12. 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, 2019 and 2018, the Organization was holding \$153,209 and \$561,367, respectively, in client funds, which have not been reflected in these consolidated financial statements.

Legal contingencies: The Organization is involved in litigation arising in the ordinary course of business. 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 financial statements of the Organization.

Letters of credit: The Organization held several letters of credits with BB&T. At June 30, 2019 and 2018, three letters of credit to ensure payment for workers compensation insurance totaled \$2,933,000 and \$3,599,000, respectively. These letters of credit are issued under the \$15,300,000 credit facility from BB&T for Chimes International. The Organization held two letters of credit totaling \$8,800 for the years ended June 30, 2019 and 2018 with BB&T to ensure performance under building permits issued to local municipalities.

Note 13. Due From/to Third-Party Payors

Amounts due to third-party payors include monies the Organization received in excess of grant funds or room and board, which is due back to the State of Maryland. The Organization's total amount due to third-party payors as June 30, 2019 and 2018 was \$1,462,094 and \$1,165,086, respectively.

Note 14. 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 no balance owed as of the year ended June 30, 2019. There was a \$25,000 balance as of the year ended June 30, 2018. 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 \$65,335 and \$88,410 for the years ending June 30, 2019 and 2018, respectively. This fee is taxable under Internal Revenue Code Section 512. For the years ended June 30, 2019 and 2018, there was no liability for unrelated business income taxes.

Note 15. Liquidity and Availability

The Organization monitors liquidity required to meet its annual operating needs and other contractual commitments. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In the event of an unanticipated liquidity need, the Organization can draw down from its consolidated line of credit of \$15,300,000 and the Chimes – DC line of credit of \$10,000,000 (see Note 5).

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 15. Liquidity and Availability (Continued)

The following represents the Organization's financial assets at June 30, 2019:

Cash and cash equivalents	\$ 10,595,366
Restricted cash	180,128
Accounts receivable, net	20,045,877
Pledges receivable, net	86,409
Grants receivable	1,855,692
Investments	9,915,620
Note receivable	149,682
	<hr/>
	42,828,774
Less long-term investments	(2,071,134)
Less long-term portion of note receivable	(139,686)
Less those unavailable for general expenditures within one year, due to:	
Restrictions by donors	(2,755,141)
Board designations	(669,485)
	<hr/>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 37,193,328</u></u>



RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors and Officers
Chimes International Limited

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the year ended June 30, 2019 taken as a whole. The supplementary information on pages 25–32 is presented for purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the June 30, 2019 consolidated financial statements as a whole.

The consolidated financial statements and supplementary information of Chimes International Limited and Related Entities as of and for the year ended June 30, 2018 were audited by other auditors, whose report, dated November 17, 2018, and restated October 31, 2019, expressed an unmodified opinion on those statements.

RSM US LLP

Baltimore, Maryland
December 23, 2019

Chimes International Limited and Related Entities

Consolidating Statement of Financial Position

June 30, 2019

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
Assets										
Current assets:										
Cash and cash equivalents	\$ 96,044	\$ 19,131	\$ 1,160,357	\$ 23,492	\$ 4,362,863	\$ 667,447	\$ 111,449	\$ 4,154,583	\$ -	\$ 10,595,366
Accounts receivable, net	1,282,289	2,857,115	11,164,225	1,018,583	13,309	3,593,542	116,814	-	-	20,045,877
Pledges receivable, net	-	-	-	-	-	-	-	86,409	-	86,409
Grants receivable	1,855,692	-	-	-	-	-	-	-	-	1,855,692
Prepaid expenses	160,614	98,269	3,397	34,852	627,844	660,466	-	25,044	-	1,610,486
Note receivable, current portion	-	-	-	-	-	-	-	9,996	-	9,996
Investments, current	-	-	-	-	-	-	-	7,844,486	-	7,844,486
Due from related parties	26,687,131	-	16,086,644	1,210,556	6,104,895	-	284,716	-	(50,373,942)	-
Total current assets	30,081,770	2,974,515	28,414,623	2,287,483	11,108,911	4,921,455	512,979	12,120,518	(50,373,942)	42,048,312
Noncurrent assets:										
Restricted cash	-	-	-	-	-	-	-	180,128	-	180,128
Property and equipment, net	15,815,080	4,653,819	1,221,179	972,356	1,655,948	5,408,410	52	7,907	-	29,734,751
Investments, long-term	-	-	-	-	-	-	-	2,071,134	-	2,071,134
Note receivable, net of current portion	-	-	-	-	-	-	-	630,069	(490,383)	139,686
Other noncurrent assets	17,105	36,645	9,000	37,123	375,300	-	-	46,468	-	521,641
Total noncurrent assets	15,832,185	4,690,464	1,230,179	1,009,479	2,031,248	5,408,410	52	2,935,706	(490,383)	32,647,340
Total assets	\$ 45,913,955	\$ 7,664,979	\$ 29,644,802	\$ 3,296,962	\$ 13,140,159	\$ 10,329,865	\$ 513,031	\$ 15,056,224	\$(50,864,325)	\$ 74,695,652

(Continued)

Chimes International Limited and Related Entities

Consolidating Statement of Financial Position (Continued)

June 30, 2019

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
Liabilities and Net Assets										
Current liabilities:										
Current maturities of long-term debt	\$ 86,269	\$ -	\$ -	\$ -	\$ 602,640	\$ -	\$ -	\$ -	\$ (86,269)	\$ 602,640
Accounts payable	661,857	345,585	3,899,357	91,857	998,391	401,993	20,178	24,832	-	6,444,050
Accrued expenses and other liabilities	2,233,970	1,501,073	5,075,730	256,422	6,043,516	1,711,023	49,564	6,250	-	16,877,548
Deferred revenue	-	-	130,279	-	-	-	-	-	-	130,279
Due to third-party payors	1,461,969	125	-	-	-	-	-	-	-	1,462,094
Due to related parties	34,699,526	8,813,624	-	-	-	4,857,153	-	2,003,639	(50,373,942)	-
Total current liabilities	39,143,591	10,660,407	9,105,366	348,279	7,644,547	6,970,169	69,742	2,034,721	(50,460,211)	25,516,611
Long-term liabilities:										
Deferred rent	-	-	-	-	-	217,204	-	-	-	217,204
Mortgages and notes payable, net of current portion	-	-	-	-	9,797,360	-	-	-	-	9,797,360
Loans payable - related party	404,114	-	-	-	-	-	-	-	(404,114)	-
Total long-term liabilities	404,114	-	-	-	9,797,360	217,204	-	-	(404,114)	10,014,564
Total liabilities	39,547,705	10,660,407	9,105,366	348,279	17,441,907	7,187,373	69,742	2,034,721	(50,864,325)	35,531,175
Net assets (deficit):										
Without donor restrictions										
Undesignated	6,366,250	(3,664,913)	20,539,436	2,948,683	(4,301,748)	3,142,492	443,289	10,266,362	-	35,739,851
Board designated	-	669,485	-	-	-	-	-	-	-	669,485
	6,366,250	(2,995,428)	20,539,436	2,948,683	(4,301,748)	3,142,492	443,289	10,266,362	-	36,409,336
With donor restrictions										
	-	-	-	-	-	-	-	2,755,141	-	2,755,141
Total net assets (deficit)	6,366,250	(2,995,428)	20,539,436	2,948,683	(4,301,748)	3,142,492	443,289	13,021,503	-	39,164,477
Total liabilities and net assets	\$ 45,913,955	\$ 7,664,979	\$ 29,644,802	\$ 3,296,962	\$ 13,140,159	\$ 10,329,865	\$ 513,031	\$ 15,056,224	\$(50,864,325)	\$ 74,695,652

Chimes International Limited and Related Entities

Consolidating Statement of Financial Position June 30, 2018

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Open Door, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
Assets											
Current assets:											
Cash and cash equivalents	\$ 174,334	\$ 55,204	\$ 2,352,452	\$ 19,492	\$ 4,677,343	\$ 1,656,094	\$ 308,170	\$ 117,053	\$ 3,614,801	\$ -	\$ 12,974,943
Accounts receivable, net	1,278,864	6,483,592	16,515,515	630,488	42,954	4,237,159	71,749	155,275	-	-	29,415,596
Pledges receivable, net	-	-	-	-	-	-	-	-	91,571	-	91,571
Prepaid expenses	144,940	100,029	57,435	50,915	455,678	308,049	9,110	-	12,528	-	1,138,684
Loans receivable	-	-	-	-	-	-	-	-	25,000	-	25,000
Notes receivable, current portion	-	-	-	-	-	-	-	-	195,287	(195,287)	-
Investments, current	-	-	-	-	-	-	-	-	6,355,294	-	6,355,294
Due to related parties	13,918,048	300,328	16,657,381	2,458,422	15,720,994	346,519	167,754	216,571	139,000	(49,925,017)	-
Total current assets	15,516,186	6,939,153	35,582,783	3,159,317	20,896,969	6,547,821	556,783	488,899	10,433,481	(50,120,304)	50,001,088
Noncurrent assets:											
Restricted cash	-	-	-	-	-	-	-	-	349,595	-	349,595
Property and equipment, net	17,015,843	4,806,097	1,269,782	1,065,811	1,016,880	5,306,369	462,675	1,037	7,907	-	30,952,401
Note receivable, net	-	-	-	-	-	-	-	-	1,451,802	(1,451,802)	-
Investments, long-term	-	-	-	-	-	-	-	-	1,475,810	-	1,475,810
Other noncurrent assets	20,183	36,609	1,803	33,610	377,125	1,516	6,683	-	93,507	-	571,036
Total noncurrent assets	17,036,026	4,842,706	1,271,585	1,099,421	1,394,005	5,307,885	469,358	1,037	3,378,621	(1,451,802)	33,348,842
Total assets	\$ 32,552,212	\$ 11,781,859	\$ 36,854,368	\$ 4,258,738	\$ 22,290,974	\$ 11,855,706	\$ 1,026,141	\$ 489,936	\$ 13,812,102	\$ (51,572,106)	\$ 83,349,930

(Continued)

Chimes International Limited and Related Entities

Consolidating Statement of Financial Position (Continued)

June 30, 2018

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Open Door, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
Liabilities and Net Assets											
Current liabilities:											
Current maturities of long-term debt	\$ 172,621	\$ 160,112	\$ -	\$ 49,667	\$ 205,750	\$ 118,122	\$ -	\$ -	\$ -	\$ (195,287)	\$ 510,985
Short-term borrowings	-	-	-	-	-	872,204	-	-	-	-	872,204
Accounts payable	1,018,518	372,354	2,893,005	105,731	488,964	173,227	5,287	42,371	15,528	-	5,114,985
Accrued expenses and other liabilities	2,659,434	1,322,444	8,474,077	308,322	5,398,986	2,156,849	88,112	52,380	25,637	-	20,486,241
Deferred revenue	108,493	-	203,247	-	-	-	-	-	-	-	311,740
Due to third-party payors	1,165,086	-	-	-	-	-	-	-	-	-	1,165,086
Due to related parties	18,825,690	4,412,728	7,227,206	48,051	14,116,616	3,149,203	477,061	-	1,668,462	(49,925,017)	-
Total current liabilities	23,949,842	6,267,638	18,797,535	511,771	20,210,316	6,469,605	570,460	94,751	1,709,627	(50,120,304)	28,461,241
Long-term liabilities:											
Deferred rent	-	-	-	-	-	208,179	-	-	-	-	208,179
Bonds payable, net of current portion	-	1,555,021	-	-	-	-	-	-	-	-	1,555,021
Mortgages and notes payable, net of current portion	1,313,838	1,035,269	-	471,833	4,237,440	1,909,660	-	-	-	(1,451,802)	7,516,238
Interest rate swap	-	-	-	-	12,109	-	-	-	-	-	12,109
Total long-term liabilities	1,313,838	2,590,290	-	471,833	4,249,549	2,117,839	-	-	-	(1,451,802)	9,291,547
Total liabilities	25,263,680	8,857,928	18,797,535	983,604	24,459,865	8,587,444	570,460	94,751	1,709,627	(51,572,106)	37,752,788
Net assets (deficit):											
Without donor restrictions:											
Undesignated	7,288,532	2,923,931	18,056,833	3,275,134	(2,168,891)	3,268,262	455,681	395,185	9,013,703	-	42,508,370
Board designated	-	-	-	-	-	-	-	-	-	605,985	605,985
	7,288,532	2,923,931	18,056,833	3,275,134	(2,168,891)	3,268,262	455,681	395,185	9,013,703	605,985	43,114,355
With donor restrictions											
	-	-	-	-	-	-	-	-	3,088,772	(605,985)	2,482,787
Total net assets (deficit)	7,288,532	2,923,931	18,056,833	3,275,134	(2,168,891)	3,268,262	455,681	395,185	12,102,475	-	45,597,142
Total liabilities and net assets	\$ 32,552,212	\$ 11,781,859	\$ 36,854,368	\$ 4,258,738	\$ 22,290,974	\$ 11,855,706	\$ 1,026,141	\$ 489,936	\$ 13,812,102	\$ (51,572,106)	\$ 83,349,930

Chimes International Limited and Related Entities

Consolidating Statement of Activities Year Ended June 30, 2019

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
Revenue and other support:										
Behavioral health services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,959,543	\$ 581,319	\$ -	\$ -	\$ 33,540,862
Developmental disabilities services	50,003,037	26,005,808	-	5,788,188	-	-	-	-	(703,657)	81,093,376
Employment contractual services	-	-	86,712,619	-	-	-	-	-	(175,231)	86,537,388
Management fees	-	-	-	-	10,741,883	-	-	-	(10,676,602)	65,281
Donations and grants	36,893	100	-	-	-	106,575	1,674	671,187	-	816,429
Miscellaneous	383,598	515	16,271	-	397,556	-	58,238	-	(256,162)	600,016
Fundraising income, net of fundraising expenses of \$399,401	-	-	-	-	-	-	-	132,663	-	132,663
Total revenue and other support	50,423,528	26,006,423	86,728,890	5,788,188	11,139,439	33,066,118	641,231	803,850	(11,811,652)	202,786,015
Expenses:										
Program services:										
Mental health services	-	-	-	-	-	26,747,892	593,127	-	(1,563,890)	25,777,129
Developmental disabilities services	43,543,930	24,238,507	-	5,283,865	-	-	-	-	(863,579)	72,202,723
Employment contractual services	-	-	76,038,991	-	-	-	-	-	(4,250,819)	71,788,172
Grants	2,682,228	-	-	-	-	-	-	-	-	2,682,228
Total program services	46,226,158	24,238,507	76,038,991	5,283,865	-	26,747,892	593,127	-	(6,678,288)	172,450,252
Supporting services:										
Management and general	5,326,047	7,687,275	8,204,539	830,774	13,272,296	6,899,677	-	-	(4,862,848)	37,357,760
Fundraising expenses	-	-	-	-	-	-	-	1,018,819	(356,892)	661,927
Total supporting services	5,326,047	7,687,275	8,204,539	830,774	13,272,296	6,899,677	-	1,018,819	(5,219,740)	38,019,687
Total expenses	51,552,205	31,925,782	84,243,530	6,114,639	13,272,296	33,647,569	593,127	1,018,819	(11,898,028)	210,469,939
Change in net assets before other income	(1,128,677)	(5,919,359)	2,485,360	(326,451)	(2,132,857)	(581,451)	48,104	(214,969)	86,376	(7,683,924)
Other income:										
Investment income - net	-	-	-	-	-	-	-	1,133,997	(86,376)	1,047,621
Gain (loss) on sale of assets	206,395	-	(2,757)	-	-	-	-	-	-	203,638
Other income	206,395	-	(2,757)	-	-	-	-	1,133,997	(86,376)	1,251,259
Changes in net assets	(922,282)	(5,919,359)	2,482,603	(326,451)	(2,132,857)	(581,451)	48,104	919,028	-	(6,432,665)
Net assets (deficit):										
Beginning	7,288,532	2,923,931	18,056,833	3,275,134	(2,168,891)	3,723,943	395,185	12,102,475	-	45,597,142
Ending	\$ 6,366,250	\$ (2,995,428)	\$ 20,539,436	\$ 2,948,683	\$ (4,301,748)	\$ 3,142,492	\$ 443,289	\$ 13,021,503	\$ -	\$ 39,164,477

Chimes International Limited and Related Entities

Consolidating Statement of Activities Years Ended June 30, 2018

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Open Door, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
Revenue and other support:											
Behavioral health services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,999,147	\$ 1,589,972	\$ 652,351	\$ -	\$ -	\$ 32,241,470
Developmental disabilities services	52,284,970	26,521,781	-	6,264,820	-	-	-	-	-	(1,207,515)	83,864,056
Employment contractual services	-	-	81,670,650	-	-	-	-	-	-	(216,924)	81,453,726
Management fees	-	-	-	-	10,520,482	291,123	-	-	-	(10,723,166)	88,439
Donations and grants	95,733	-	-	-	-	11,510	3,855	2,390	502,540	-	616,028
Miscellaneous	299,559	1,574	10,143	15	88,875	1,088	-	82,916	-	(260,052)	224,118
Fundraising income, net of fundraising expenses of \$326,986	-	-	-	-	-	-	-	-	180,461	-	180,461
Total revenue and other support	52,680,262	26,523,355	81,680,793	6,264,835	10,609,357	30,302,868	1,593,827	737,657	683,001	(12,407,657)	198,668,298
Expenses:											
Program services:											
Mental health services	-	-	-	-	-	24,915,010	1,380,207	554,984	-	-	26,850,201
Developmental disabilities services	47,450,520	23,190,345	-	5,178,979	-	-	-	-	-	(1,386,735)	74,433,109
Employment contractual services	-	-	67,517,631	-	-	-	-	-	-	-	67,517,631
Grants	-	-	-	-	4,941	-	-	-	238,567	-	243,508
Total program services	47,450,520	23,190,345	67,517,631	5,178,979	4,941	24,915,010	1,380,207	554,984	238,567	(1,386,735)	169,044,449
Supporting services:											
Management and general	4,900,271	4,193,215	11,241,633	788,059	9,543,023	5,608,085	330,054	141,593	544,057	(11,109,730)	26,180,260
Fundraising expenses	-	-	-	-	-	-	-	-	161,881	-	161,881
Total supporting services	4,900,271	4,193,215	11,241,633	788,059	9,543,023	5,608,085	330,054	141,593	705,938	(11,109,730)	26,342,141
Total expenses	52,350,791	27,383,560	78,759,264	5,967,038	9,547,964	30,523,095	1,710,261	696,577	944,505	(12,496,465)	195,386,590
Change in net assets before other income	329,471	(860,205)	2,921,529	297,797	1,061,393	(220,227)	(116,434)	41,080	(261,504)	88,808	3,281,708
Other income:											
Investment income - net	-	-	-	-	-	-	-	-	1,226,239	(88,808)	1,137,431
Gain on interest rate swap	-	-	-	-	31,700	-	-	-	-	-	31,700
Gain on sale of assets	34,108	(3,058)	12,250	-	-	-	-	-	-	-	43,300
Other income	34,108	(3,058)	12,250	-	31,700	-	-	-	1,226,239	(88,808)	1,212,431
Changes in net assets	363,579	(863,263)	2,933,779	297,797	1,093,093	(220,227)	(116,434)	41,080	964,735	-	4,494,139
Net assets:											
Beginning	6,924,953	3,787,194	15,123,054	2,977,337	(3,261,984)	3,488,489	572,115	354,105	11,137,740	-	41,103,003
Ending	\$ 7,288,532	\$ 2,923,931	\$ 18,056,833	\$ 3,275,134	\$ (2,168,891)	\$ 3,268,262	\$ 455,681	\$ 395,185	\$ 12,102,475	\$ -	\$ 45,597,142

Chimes International Limited and Related Entities

Consolidating Schedule of Property and Equipment June 30, 2019

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Total
Land	\$ 2,885,305	\$ 880,048	\$ -	\$ 155,053	\$ -	\$ 930,770	\$ -	\$ 7,907	\$ 4,859,083
Buildings and improvements	28,071,378	4,858,267	-	777,501	-	5,878,575	-	-	39,585,721
Land improvements	328,236	4,150	-	10,720	20,129	-	-	-	363,235
Automobiles	3,710,162	605,042	2,004,842	578,327	84,841	1,104,045	-	-	8,087,259
Furnishings and equipment	4,625,393	1,505,576	3,044,661	367,982	9,144,517	2,274,656	13,604	-	20,976,389
Leasehold improvements	774,301	1,884,335	26,616	292,629	778,085	295,622	-	-	4,051,588
	<u>40,394,775</u>	<u>9,737,418</u>	<u>5,076,119</u>	<u>2,182,212</u>	<u>10,027,572</u>	<u>10,483,668</u>	<u>13,604</u>	<u>7,907</u>	<u>77,923,275</u>
Less accumulated depreciation	<u>24,579,695</u>	<u>5,083,599</u>	<u>3,854,940</u>	<u>1,209,856</u>	<u>8,371,624</u>	<u>5,075,258</u>	<u>13,552</u>	<u>-</u>	<u>48,188,524</u>
	<u>\$ 15,815,080</u>	<u>\$ 4,653,819</u>	<u>\$ 1,221,179</u>	<u>\$ 972,356</u>	<u>\$ 1,655,948</u>	<u>\$ 5,408,410</u>	<u>\$ 52</u>	<u>\$ 7,907</u>	<u>\$ 29,734,751</u>

Chimes International Limited and Related Entities

Consolidating Schedule of Property and Equipment June 30, 2018

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Open Door, Inc.	Chester County Council on Addictive Diseases, Inc.	Chimes Foundation, Incorporated	Total
Land	\$ 2,885,305	\$ 880,048	\$ -	\$ 155,053	\$ -	\$ 830,770	\$ 100,000	\$ -	\$ 7,907	\$ 4,859,083
Buildings and improvements	28,158,378	4,850,939	-	777,501	-	5,329,894	548,681	-	-	39,665,393
Land improvements	337,697	-	-	10,720	9,458	-	-	-	-	357,875
Automobiles	3,710,162	605,042	1,646,298	549,321	84,841	1,066,778	-	-	-	7,662,442
Furnishings and equipment	4,614,934	1,480,964	3,852,779	365,415	7,933,877	2,059,396	132,724	13,604	-	20,453,693
Leasehold improvements	788,230	1,882,119	26,616	292,629	778,085	185,858	73,936	-	-	4,027,473
	40,494,706	9,699,112	5,525,693	2,150,639	8,806,261	9,472,696	855,341	13,604	7,907	77,025,959
Less accumulated depreciation	23,478,863	4,893,015	4,255,911	1,084,828	7,789,381	4,166,327	392,666	12,567	-	46,073,558
	<u>\$ 17,015,843</u>	<u>\$ 4,806,097</u>	<u>\$ 1,269,782</u>	<u>\$ 1,065,811</u>	<u>\$ 1,016,880</u>	<u>\$ 5,306,369</u>	<u>\$ 462,675</u>	<u>\$ 1,037</u>	<u>\$ 7,907</u>	<u>\$ 30,952,401</u>