

# **Chimes International Limited and Related Entities**

Consolidated Financial Report  
June 30, 2020

## Contents

---

Independent auditor's report	1-2
------------------------------	-----

---

Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of functional expenses	6-7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9-22

---

Independent auditor's report on the supplementary information	23
---	----

---

Supplementary information	
Consolidating statements of financial position	24-27
Consolidating statements of activities	28-29
Consolidating schedules of property and equipment	30-31

---

## Independent Auditor's Report

Board of Directors  
Chimes International Limited

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Chimes International Limited and Related Entities (the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, the consolidated related statements of activities, functional expenses and cash flows for the years 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 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 audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Baltimore, Maryland  
November 24, 2020

## Chimes International Limited and Related Entities

### Consolidated Statements of Financial Position June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 24,973,795	\$ 10,595,366
Accounts receivable, net	22,175,971	20,045,877
Resident funds	760,606	474,934
Pledges receivable, net	76,727	86,409
Grants receivable	-	1,855,692
Prepaid expenses	1,395,330	1,610,486
Note receivable, current portion	18,121	9,996
Investments, current	7,708,605	7,844,486
<b>Total current assets</b>	<b>57,109,155</b>	<b>42,523,246</b>
Noncurrent assets:		
Restricted cash	460,257	180,128
Property and equipment, net	27,247,005	29,734,751
Investments, long-term	3,140,953	2,071,134
Note receivable, net of current portion	265,389	139,686
Other noncurrent assets	76,421	521,641
<b>Total noncurrent assets</b>	<b>31,190,025</b>	<b>32,647,340</b>
<b>Total assets</b>	<b>\$ 88,299,180</b>	<b>\$ 75,170,586</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 627,192	\$ 602,640
Accounts payable	7,127,027	6,444,050
Accrued expenses and other liabilities	20,435,220	16,877,548
Resident funds payable	760,606	474,934
Deferred revenue and refundable advances	183,018	130,279
Due to third-party payors	3,020,831	1,462,094
<b>Total current liabilities</b>	<b>32,153,894</b>	<b>25,991,545</b>
Long-term liabilities:		
Deferred rent	250,413	217,204
Interest rate swap	1,178,931	-
Mortgages and notes payable, net of current portion	9,170,168	9,797,360
Deferred payroll taxes	662,618	-
<b>Total long-term liabilities</b>	<b>11,262,130</b>	<b>10,014,564</b>
<b>Total liabilities</b>	<b>43,416,024</b>	<b>36,006,109</b>
Net assets:		
Without donor restrictions:		
Undesignated	41,216,255	35,739,851
Board designated	721,430	669,485
	<b>41,937,685</b>	<b>36,409,336</b>
With donor restrictions	2,945,471	2,755,141
<b>Total net assets</b>	<b>44,883,156</b>	<b>39,164,477</b>
<b>Total liabilities and net assets</b>	<b>\$ 88,299,180</b>	<b>\$ 75,170,586</b>

See notes to consolidated financial statements.

**Chimes International Limited and Related Entities**

**Consolidated Statement of Activities  
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Behavioral health services	\$ 31,841,320	\$ -	\$ 31,841,320
Developmental disabilities services	77,433,040	-	77,433,040
Employment contractual services	91,905,481	-	91,905,481
Management fees	105,793	-	105,793
Donations and grants	429,039	12,100	441,139
Miscellaneous	729,590	-	729,590
Fundraising income, net of fundraising expenses of \$358,438	116,051	-	116,051
Net assets released from restrictions	6,181	(6,181)	-
<b>Total revenue and other support</b>	<b>202,566,495</b>	<b>5,919</b>	<b>202,572,414</b>
Expenses:			
Program services:			
Mental health services	25,917,575	-	25,917,575
Developmental disabilities services	62,696,445	-	62,696,445
Employment contractual services	74,682,889	-	74,682,889
Grants	2,715,790	-	2,715,790
<b>Total program services</b>	<b>166,012,699</b>	<b>-</b>	<b>166,012,699</b>
Supporting services:			
Management and general	30,061,108	-	30,061,108
Fundraising expenses	337,779	-	337,779
<b>Total supporting services</b>	<b>30,398,887</b>	<b>-</b>	<b>30,398,887</b>
<b>Total expenses</b>	<b>196,411,586</b>	<b>-</b>	<b>196,411,586</b>
<b>Change in net assets before other income</b>	<b>6,154,909</b>	<b>5,919</b>	<b>6,160,828</b>
Other income (loss):			
Investment income – net	639,542	184,411	823,953
Loss on sale of assets	(87,171)	-	(87,171)
Loss on interest rate swap	(1,178,931)	-	(1,178,931)
<b>Other income (loss):</b>	<b>(626,560)</b>	<b>184,411</b>	<b>(442,149)</b>
<b>Change in net assets</b>	<b>5,528,349</b>	<b>190,330</b>	<b>5,718,679</b>
Net assets:			
Beginning	36,409,336	2,755,141	39,164,477
Ending	\$ 41,937,685	\$ 2,945,471	\$ 44,883,156

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)	-
<b>Total revenue and other support</b>	<b>202,750,432</b>	<b>35,583</b>	<b>202,786,015</b>
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
<b>Total program services</b>	<b>172,450,252</b>	<b>-</b>	<b>172,450,252</b>
Supporting services:			
Management and general	37,357,760	-	37,357,760
Fundraising expenses	661,927	-	661,927
<b>Total supporting services</b>	<b>38,019,687</b>	<b>-</b>	<b>38,019,687</b>
<b>Total expenses</b>	<b>210,469,939</b>	<b>-</b>	<b>210,469,939</b>
<b>Change in net assets before other income</b>	<b>(7,719,507)</b>	<b>35,583</b>	<b>(7,683,924)</b>
Other income:			
Investment income – net	810,850	236,771	1,047,621
Gain on sale of assets	203,638	-	203,638
<b>Other income</b>	<b>1,014,488</b>	<b>236,771</b>	<b>1,251,259</b>
<b>Change in net assets</b>	<b>(6,705,019)</b>	<b>272,354</b>	<b>(6,432,665)</b>
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 Functional Expenses Year Ended June 30, 2020 (With Comparative Totals for 2019)

	2020							2019		
	Mental Health Services	Developmental Disabilities Services	Employment Services	Grant	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 17,532,751	\$ 30,866,926	\$ 33,804,119	\$ 801,808	\$ 83,005,604	\$ 15,429,319	\$ -	\$ 15,429,319	\$ 98,434,923	\$ 98,917,596
Salaries overtime	627,753	5,280,201	560,434	36,479	6,504,867	34,113	-	34,113	6,538,980	7,350,027
Temporary labor	865,965	2,513,477	-	2,480	3,381,922	175,548	-	175,548	3,557,470	4,499,401
Client payroll	-	1,043,785	-	-	1,043,785	-	-	-	1,043,785	1,603,578
Fringe benefits	3,242,969	10,202,660	15,290,420	243,330	28,979,379	3,251,043	-	3,251,043	32,230,422	32,666,125
Consultants and contractual	74,404	869,119	22,398	125	966,046	2,492,854	81,403	2,574,257	3,540,303	9,405,008
Telephone	408,438	423,772	199,898	2,847	1,034,955	299,426	-	299,426	1,334,381	1,253,554
Office and other expenses	180,172	921,336	3,136,657	9,572	4,247,737	2,643,101	115,957	2,759,058	7,006,795	7,261,903
Vehicle leases, operation and travel	68,183	1,378,758	213,225	8,670	1,668,836	188,428	33	188,461	1,857,297	1,950,999
Building, equipment and furnishings	50,558	77,675	108,635	408	237,276	258,189	-	258,189	495,465	537,317
Repairs to furnishings and equipment	282,859	411,968	106,360	183	801,370	87,257	-	87,257	888,627	987,397
Housekeeping supplies	26,998	311,521	2,738	8	341,265	73,937	-	73,937	415,202	391,308
Contract maintenance and service contracts	19	907,228	16,901,642	1,337	17,810,226	1,557,739	9,961	1,567,700	19,377,926	17,619,774
Rent and interest expense	1,723,508	1,585,430	20,045	-	3,328,983	1,284,271	-	1,284,271	4,613,254	5,073,954
Utilities	251,031	1,108,696	30,753	4,303	1,394,783	263,581	-	263,581	1,658,364	1,717,701
Client transportation	-	509,310	-	-	509,310	-	-	-	509,310	624,135
Supplemental expenses	-	5,816	-	-	5,816	-	-	-	5,816	5,828
Food	164,653	1,539,524	-	5,164	1,709,341	38,944	39	38,983	1,748,324	2,001,706
Disposable supplies	-	33,628	-	-	33,628	-	-	-	33,628	69,268
Kitchen and food service supplies	-	19,393	-	-	19,393	1,980	-	1,980	21,373	40,890
Training supplies and equipment	162	38,262	3,610,897	-	3,649,321	14,425	-	14,425	3,663,746	3,919,096
Medical supplies and equipment	2,660	85,024	-	197	87,881	410,110	-	410,110	497,991	177,605
Program activities	227,591	65,887	-	535	294,013	7,702	-	7,702	301,715	5,053,549
Purchase of services	-	1,016,107	-	1,592,361	2,608,468	21,835	-	21,835	2,630,303	3,133,743
Bad debt	1,324	210,216	-	-	211,540	393,936	130,386	524,322	735,862	925,830
Depreciation and amortization	185,577	1,270,726	674,668	5,983	2,136,954	1,133,370	-	1,133,370	3,270,324	3,282,647
<b>Total</b>	<b>\$ 25,917,575</b>	<b>\$ 62,696,445</b>	<b>\$ 74,682,889</b>	<b>\$ 2,715,790</b>	<b>\$ 166,012,699</b>	<b>\$ 30,061,108</b>	<b>\$ 337,779</b>	<b>\$ 30,398,887</b>	<b>\$ 196,411,586</b>	<b>\$ 210,469,939</b>

See notes to consolidated financial statements.



## Chimes International Limited and Related Entities

### Consolidated Statement of Functional Expenses Year Ended June 30, 2019

	2019								
	Mental Health Services	Developmental Disabilities Services	Employment Services	Grant	Total Program Services	Management and General	Fundraising	Total Supporting Services	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
Salaries overtime	758,870	5,972,316	509,502	45,026	7,285,714	64,313	-	64,313	7,350,027
Temporary labor	1,175,309	2,898,118	-	256	4,073,683	425,718	-	425,718	4,499,401
Client payroll	-	1,603,578	-	-	1,603,578	-	-	-	1,603,578
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
Consultants and contractual	58,625	785,103	18,336	125	862,189	8,506,941	35,878	8,542,819	9,405,008
Telephone	407,775	388,415	179,141	2,919	978,250	275,304	-	275,304	1,253,554
Office and 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
Vehicle Leases, operation and travel	31,346	1,512,682	229,424	14,783	1,788,235	162,647	117	162,764	1,950,999
Building, equipment and furnishings	105,883	84,664	144,933	1,104	336,584	200,733	-	200,733	537,317
Repairs to furnishings and equipment	362,418	420,278	127,002	1,322	911,020	76,377	-	76,377	987,397
Housekeeping supplies	41,969	342,556	-	-	384,525	6,783	-	6,783	391,308
Contract maintenance and service contracts	-	1,145,506	15,384,608	2,107	16,532,221	1,078,541	9,012	1,087,553	17,619,774
Rent and 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
Utilities	257,447	1,174,954	18,538	4,756	1,455,695	261,551	455	262,006	1,717,701
Client transportation	-	624,135	-	-	624,135	-	-	-	624,135
Supplemental expenses	-	5,828	-	-	5,828	-	-	-	5,828
Food	178,078	1,771,010	-	-	1,949,088	52,451	167	52,618	2,001,706
Disposable supplies	-	69,096	-	-	69,096	146	26	172	69,268
Kitchen and food service supplies	-	40,839	-	-	40,839	51	-	51	40,890
Training supplies and equipment	184	67,922	3,850,253	-	3,918,359	737	-	737	3,919,096
Medical supplies and equipment	-	173,999	-	303	174,302	3,303	-	3,303	177,605
Program activities	413,714	133,818	-	-	547,532	4,506,017	-	4,506,017	5,053,549
Purchase of services	-	1,807,223	-	1,299,098	3,106,321	27,422	-	27,422	3,133,743
Bad debt	65,182	214,676	-	-	279,858	150,974	494,998	645,972	925,830
Depreciation	232,994	1,484,620	518,751	6,901	2,243,266	1,134,642	-	1,134,642	3,282,647
<b>Total</b>	<b>\$ 25,777,129</b>	<b>\$ 72,202,723</b>	<b>\$ 71,788,172</b>	<b>\$ 2,682,228</b>	<b>\$ 172,450,252</b>	<b>\$ 37,357,760</b>	<b>\$ 661,927</b>	<b>\$ 38,019,687</b>	<b>\$ 210,469,939</b>

See notes to consolidated financial statements.

## Chimes International Limited and Related Entities

### Consolidated Statements of Cash Flows Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 5,718,679	\$ (6,432,665)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,315,795	3,282,647
(Write-off) amortization of deferred financing fees	(45,471)	95,261
Increase (decrease) in allowance for doubtful accounts	109,731	(99,656)
Realized and unrealized gains on investments, net	(593,319)	(873,352)
(Gain) loss on interest rate swap	1,178,931	(12,109)
Loss (gain) on sale of land, buildings and equipment	87,171	(203,638)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(2,239,825)	9,469,375
Pledges receivable	9,682	5,162
Grants receivable	1,855,692	(1,855,692)
Prepaid expenses	215,156	(471,802)
Other noncurrent assets	445,220	49,395
Increase (decrease) in:		
Accounts payable	682,977	1,329,065
Accrued expenses and other liabilities	3,557,672	(3,132,498)
Deferred compensation and postemployment benefit obligation	-	-
Deferred rent	33,209	9,025
Due to third-party payors	1,558,737	1,218,224
Deferred revenue and refundable advances	52,739	(1,578,872)
Deferred payroll taxes	662,618	-
<b>Net cash provided by operating activities</b>	<b>16,605,394</b>	<b>797,870</b>
Cash flows from investing activities:		
Purchases of investments	(5,506,479)	(3,111,937)
Purchases of property and equipment	(1,980,218)	(2,084,238)
Proceeds from sales of property and equipment	1,110,469	222,879
Proceeds from sales of investments	5,165,860	1,900,773
Decrease in loans receivable	9,996	25,000
Increase in notes receivable	(143,824)	(149,682)
<b>Net cash used in investing activities</b>	<b>(1,344,196)</b>	<b>(3,197,205)</b>
Cash flows from financing activities:		
Principal payments on bonds	-	(1,709,656)
Principal payments on mortgages and notes payable	(602,640)	(7,967,849)
Payments on short-term borrowings, net	-	(872,204)
Proceeds from long-term debt	-	10,400,000
<b>Net cash used in financing activities</b>	<b>(602,640)</b>	<b>(149,709)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,658,558</b>	<b>(2,549,044)</b>
Cash and cash equivalents (including restricted cash):		
Beginning	10,775,494	13,324,538
Ending	\$ 25,434,052	\$ 10,775,494
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 377,200	\$ 695,719
Supplemental schedule of noncash activities:		
Fixed assets included in accounts payable	\$ -	\$ 37,267

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 June 4, 2020, COAD was dissolved and all operations were transferred 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.

**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.

## 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 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 (ASC). 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 \$721,430 and \$669,485 as of June 30, 2020 and 2019, 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity as endowment funds. 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 Corporation (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.

**Investments:** The Organization's investments are held in a professionally managed portfolio that contains corporate bonds, mutual funds, equities, real estate investment trust and certificates of deposit. Such investments are exposed to various risks such as interest rates, market and credit. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment balances and the amounts reported in the financial statements. The Organization's investments are recorded in the statements of financial position at net asset value or fair value. Unrealized gains and losses on these investments are included as a separate component of investment income in the statements of activities.

**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, 2020 and 2019, was \$1,936,287 and \$1,867,428, respectively. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

---

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

**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 recorded as revenue when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have barriers that must be met in order to be entitled to funds.

The Chimes Foundation is the recipient of unconditional pledges receivable, which are expected to be received in less than one year. Gross unconditional pledges for the years ended June 30, 2020 and 2019, are \$198,527 and \$107,150. The allowance for uncollectible pledges for the years ended June 30, 2020 and 2019 are \$121,800 and \$20,741, resulting in net unconditional pledges of \$76,727 and \$86,409, respectively.

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 received 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

**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.

**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 liability under the self-insured medical plan amounted to \$1,008,957 and \$871,627 as of June 30, 2020 and 2019, respectively.

**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, 2020 and 2019, cash reserves held in a separate account amount to \$1,559,735 and \$1,384,931, respectively. The Organization's liabilities under the self-insured plan amounted to \$3,966,535 and \$4,164,383 for the years ended June 30, 2020 and 2019, 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.

Unconditional contributions are recognized as revenue upon receipt, or when unconditional promises to give are received. Conditional contributions are recognized when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have barriers that must be met in order to be entitled to funds. Accordingly, amounts received, but not yet recognized as revenue, are classified as deferred revenue in the statements of financial position.

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

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

---

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

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.

**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 recognition 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 FASB 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 2017.

**Adopted accounting pronouncements:** In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is a resource recipient, the ASU is applicable to contributions received for the fiscal year ended June 30, 2020, and the Organization adopted this amendment on a modified prospective basis. The adoption did not have a material impact on the reported net assets as of June 30, 2020 or July 1, 2019.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. It is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statements of cash flows. The ASU requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents presented on the statement of cash flows. This ASU was adopted during 2020 and the statement of cash flows for the year ended June 30, 2019, was modified for comparative purposes.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

---

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

**Pending accounting pronouncements:** In May 2014, the FASB issued ASU 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, 2020. The Organization is in the process of evaluating the impact of this new guidance.

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, 2022. The Organization is currently in the process of evaluating the impact of the new accounting guidance on the financial statements.

**Uncertainties:** On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, and quarantine in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. It is unknown how long these conditions will last and what the complete financial effect will be on the Organization. The extent of the impact of COVID-19 on the Organization's operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19. In response to COVID-19, the Organization has revised budgeted expenses.

**Subsequent events:** The Organization evaluated subsequent events through November 24, 2020, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Property and Equipment

Major classes of property and equipment at June 30, 2020 and 2019, are as follows:

	2020	2019
Land	\$ 4,608,813	\$ 4,859,083
Buildings and improvements	37,991,269	39,585,721
Land improvements	372,592	363,235
Automobiles	8,150,258	8,087,259
Furnishings and equipment	22,295,770	20,976,389
Leasehold improvements	4,362,679	4,051,588
	<u>77,781,381</u>	<u>77,923,275</u>
Less accumulated depreciation	(50,534,376)	(48,188,524)
	<u>\$ 27,247,005</u>	<u>\$ 29,734,751</u>

Depreciation on these assets for the years ended June 30, 2020 and 2019, was \$3,315,795 and \$3,282,647, respectively.



## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

#### 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, 2020 and 2019, are as follows:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Corporate bonds	\$ 3,126,863	\$ 3,140,953	\$ 2,059,434	\$ 2,071,135
Common stocks	1,196,061	2,176,243	1,288,067	2,228,514
Mutual funds	3,454,158	4,742,190	4,026,334	5,384,042
REIT	82,613	95,533	22,106	32,681
Certificates of deposit	649,335	694,639	164,612	199,248
	<u>\$ 8,509,030</u>	<u>\$ 10,849,558</u>	<u>\$ 7,560,553</u>	<u>\$ 9,915,620</u>

The following schedule summarizes the investment income and its classification in the consolidated statements of activities for the years ended June 30, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 173,905	\$ 56,729	\$ 230,634
Realized and unrealized gains – net	465,637	127,682	593,319
	<u>\$ 639,542</u>	<u>\$ 184,411</u>	<u>\$ 823,953</u>

  

	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>

The Fair Value Measurement topic of the 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 ASC 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.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

---

#### Note 3. Investments and Fair Value Measurements (Continued)

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, 2020 and 2019.

**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.

**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:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks	\$ 2,176,243	\$ -	\$ -	\$ 2,176,243
Mutual funds:				
Large value	248,706	-	-	248,706
Large blend	4,493,484	-	-	4,493,484
Corporate bonds	-	3,140,953	-	3,140,953
REIT	95,533	-	-	95,533
Certificates of deposit	-	694,639	-	694,639
	<u>\$ 7,013,966</u>	<u>\$ 3,835,592</u>	<u>\$ -</u>	<u>\$ 10,849,558</u>
Liabilities:				
Interest rate swap agreements	\$ 1,178,931	\$ -	\$ 1,178,931	\$ -

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

#### Note 3. Investments and Fair Value Measurements (Continued)

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks	\$ 2,228,514	\$ -	\$ -	\$ 2,228,514
Mutual funds		-	-	
Large value	239,509	-	-	239,509
Large blend	5,144,533	-	-	5,144,533
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>

#### Note 4. Short-Term Borrowings

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 London Interbank Rate (LIBOR) 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 (1.94% and 4.16% at June 30, 2020 and 2019, respectively). The consolidated line of credit was renewed in September 2020 is scheduled to mature of March 31, 2022. There was no outstanding balance for the consolidated line of credit as of June 30, 2020. The Organization is required to comply with certain financial and non-financial covenants.

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 (1.94% and 4.16% as of June 30, 2020 and 2019, respectively). The loan is scheduled to expire March 31, 2022. There was no outstanding balance at June 30, 2020 and 2019.

#### Note 5. Mortgages and Notes Payable

On December 29, 2010, the Delaware Economic Development Authority (DEDA) issued \$2,500,000 revenue bonds (Series 2010) to Chimes – Delaware. On June 19, 2019, the bond was paid in full for from the amended and restated consolidated loan agreement with BB&T loan proceeds.

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 20 properties of the Organization. The note bears interest at one-month LIBOR plus 175 basis points (1.94% and 4.13% at June 30, 2020 and June 30, 2019, respectively) and matures on October 20, 2032. The Organization is required to comply with certain financial and non-financial covenants.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

---

#### Note 5. Mortgages and Notes Payable (Continued)

Payments of principal during the next five years and thereafter as of June 30, 2020, are as follows:

Years ending June 30:		
2021	\$	627,192
2022		652,745
2023		679,339
2024		707,016
2025		735,821
Thereafter		6,395,247
	\$	<u>9,797,360</u>

#### Note 6. 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. The Organization refinanced its debt (see Note 5) 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. At June 30, 2020, the recorded fair value of the interest rate swap was a liability of \$1,178,931. At June 30, 2019, the recorded fair value of the interest rate swap was zero.

#### Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2020 and 2019:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks	\$ 2,176,243	\$ -	\$ -	\$ 2,176,243
Mutual funds:				
Large value	248,706	-	-	248,706
Large blend	4,493,484	-	-	4,493,484
Corporate bonds	-	3,140,953	-	3,140,953
REIT	95,533	-	-	95,533
Certificates of deposit	-	694,639	-	694,639
	<u>\$ 7,013,966</u>	<u>\$ 3,835,592</u>	<u>\$ -</u>	<u>\$ 10,849,558</u>

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

---

#### Note 7. Net Assets With Donor Restrictions (Continued)

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks	\$ 2,228,514	\$ -	\$ -	\$ 2,228,514
Mutual funds		-	-	
Large value	239,509	-	-	239,509
Large blend	5,144,533	-	-	5,144,533
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>

There were \$6,181 of releases from restrictions for the Tina Hyatt Fund for the year ended June 30, 2020. There were \$5,176 of releases from restrictions for the Chimes Maryland (Safeway) Program for the year ended June 30, 2019.

#### Note 8. 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 Norman 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, 2020 and 2019, no appropriations have been made from the endowment to allow for growth of the fund.

**Ina and Norman 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, 2020 and 2019, no appropriations have been made from the endowment to allow for growth of the fund.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

---

#### Note 8. Endowment (Continued)

**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

**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, 2020 and 2019, are as follows:

Donor-restricted endowment, June 30, 2018	\$ 2,245,696
Investment income	236,771
Donor-restricted endowment, June 30, 2019	<u>2,482,467</u>
Investment income	184,411
Donor-restricted endowment, June 30, 2020	<u><u>\$ 2,666,878</u></u>

#### Note 9. Retirement Plans

International has a 403(b) plan covering employees of International, Chimes – Maryland, Chimes – Delaware, Chimes – DC, Chimes – VA and Holcomb. 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, 2020 and 2019, was \$1,831,326 and \$1,821,732, 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.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

---

#### Note 10. 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 \$250,413 and \$217,204 at June 30, 2020 and 2019, respectively.

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

Years ending June 30:	
2021	\$ 1,023
2022	(17,203)
2023	(21,098)
2024	(31,867)
2025	(43,431)
Thereafter	(137,837)
	<u>\$ (250,413)</u>

#### Note 11. 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, 2020 and 2019 totaled \$2,916,799 and \$2,684,376, respectively.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

---

#### Note 11. Commitments and Contingencies (Continued)

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, 2020 are as follows:

Years ending June 30:	
2021	\$ 2,558,248
2022	1,561,487
2023	1,347,294
2024	1,057,226
2025	936,279
Thereafter	2,562,376
	<u>\$ 10,022,910</u>

Rent expense for the years ended June 30, 2020 and 2019 was \$4,431,756 and \$4,222,258, respectively.

The Organization acts as an agent on behalf of individuals served regarding the holding of client cash funds. At June 30, 2020 and 2019, the Organization was holding \$760,606 and \$474,934, 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, 2020 and 2019, three letters of credit to ensure payment for workers compensation insurance totaled \$2,733,000. These letters of credit are issued under the \$15,300,000 credit facility from BB&T for International.

#### Note 12. 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, 2020 and 2019 was \$3,020,831 and \$1,462,094, respectively.

#### Note 13. 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, 2020 and June 30, 2019. 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 \$28,311 and \$65,335 for the years ending June 30, 2020 and 2019, respectively. This fee is taxable under Internal Revenue Code Section 512. For the years ended June 30, 2020 and 2019, there was no liability for unrelated business income taxes.



## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

---

#### Note 14. 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).

The following represents the Organization's financial assets at June 30, 2020:

	2020	2019
Cash and cash equivalents	\$ 24,973,795	\$ 10,595,366
Restricted cash	460,257	180,128
Accounts receivable, net	22,175,971	20,045,877
Pledges receivable, net	76,727	86,409
Grants receivable	-	1,855,692
Investments	10,849,558	9,915,620
Note receivable	283,510	149,682
	<hr/>	<hr/>
	58,819,818	42,828,774
Less long-term investments	(3,140,953)	(2,071,134)
Less long-term portion of note receivable	(265,389)	(139,686)
Less those unavailable for general expenditures within one year, due to:		
Restrictions by donors	(2,945,471)	(2,755,141)
Board designations	(721,430)	(669,485)
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 51,746,575</u>	<u>\$ 37,193,328</u>



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

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, 2020 taken as a whole. The supplementary information on pages 24 to 31 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, 2020 consolidated financial statements as a whole.

*RSM US LLP*

Baltimore, Maryland  
November 24, 2020

## Chimes International Limited and Related Entities

### Consolidating Statement of Financial Position June 30, 2020

	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
<b>Assets</b>										
Current assets:										
Cash and cash equivalents	\$ 9,731	\$ 82,821	\$ 5,664,971	\$ 7,935	\$ 11,629,236	\$ 3,550,269	\$ -	\$ 4,028,832	\$ -	\$ 24,973,795
Resident funds	601,354	-	-	85,803	-	73,449	-	-	-	760,606
Accounts receivable, net	1,366,755	6,944,422	10,568,156	1,028,409	76,405	2,191,824	-	-	-	22,175,971
Pledges receivable, net	-	-	-	-	-	-	-	76,727	-	76,727
Prepaid expenses	176,871	97,506	96,581	31,172	591,334	401,866	-	-	-	1,395,330
Note receivable, current portion	-	-	-	-	-	-	-	18,121	-	18,121
Investments, current	-	-	-	-	-	-	-	7,708,605	-	7,708,605
Due from related parties	-	-	19,155,977	976,465	226,357	-	-	-	(20,358,799)	-
<b>Total current assets</b>	<b>2,154,711</b>	<b>7,124,749</b>	<b>35,485,685</b>	<b>2,129,784</b>	<b>12,523,332</b>	<b>6,217,408</b>	<b>-</b>	<b>11,832,285</b>	<b>(20,358,799)</b>	<b>57,109,155</b>
Noncurrent assets:										
Restricted cash	-	-	-	-	-	-	-	460,257	-	460,257
Property and equipment, net	14,849,625	4,579,933	1,233,989	886,130	1,325,951	4,363,470	-	7,907	-	27,247,005
Investments, long-term	-	-	-	-	-	-	-	3,140,953	-	3,140,953
Note receivable, net of current portion	-	-	-	-	-	-	-	666,184	(400,795)	265,389
Other noncurrent assets	7,969	38,558	4,952	24,942	-	-	-	-	-	76,421
<b>Total noncurrent assets</b>	<b>14,857,594</b>	<b>4,618,491</b>	<b>1,238,941</b>	<b>911,072</b>	<b>1,325,951</b>	<b>4,363,470</b>	<b>-</b>	<b>4,275,301</b>	<b>(400,795)</b>	<b>31,190,025</b>
<b>Total assets</b>	<b>\$ 17,012,305</b>	<b>\$ 11,743,240</b>	<b>\$ 36,724,626</b>	<b>\$ 3,040,856</b>	<b>\$ 13,849,283</b>	<b>\$ 10,580,878</b>	<b>\$ -</b>	<b>\$ 16,107,586</b>	<b>\$ (20,759,594)</b>	<b>\$ 88,299,180</b>

(Continued)

## Chimes International Limited and Related Entities

### Consolidating Statement of Financial Position (Continued) June 30, 2020

	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
<b>Liabilities and Net Assets</b>										
Current liabilities:										
Current maturities of long-term debt	\$ 89,441	\$ -	\$ -	\$ -	\$ 627,192	\$ -	\$ -	\$ -	\$ (89,441)	\$ 627,192
Accounts payable	1,049,910	220,744	3,675,255	52,609	786,624	1,339,434	-	2,451	-	7,127,027
Accrued expenses and other liabilities	3,174,765	2,552,682	6,218,414	400,037	6,348,932	1,740,390	-	-	-	20,435,220
Resident funds payable	601,354	-	-	85,803	-	73,449	-	-	-	760,606
Deferred revenue	-	-	-	-	-	183,018	-	-	-	183,018
Due to third-party payors	3,020,831	-	-	-	-	-	-	-	-	3,020,831
Due to related parties	2,471,129	10,475,133	-	-	-	4,232,953	-	3,179,584	(20,358,799)	-
<b>Total current liabilities</b>	<b>10,407,430</b>	<b>13,248,559</b>	<b>9,893,669</b>	<b>538,449</b>	<b>7,762,748</b>	<b>7,569,244</b>	<b>-</b>	<b>3,182,035</b>	<b>(20,448,240)</b>	<b>32,153,894</b>
Long-term liabilities:										
Deferred rent	-	-	-	-	-	250,413	-	-	-	250,413
Interest rate swap	-	-	-	-	1,178,931	-	-	-	-	1,178,931
Mortgages and notes payable, net of current portion	-	-	-	-	9,170,168	-	-	-	-	9,170,168
Loans payable – related party	311,354	-	-	-	-	-	-	-	(311,354)	-
Deferred payroll taxes	135,375	94,561	248,366	21,579	39,184	123,553	-	-	-	662,618
<b>Total long-term liabilities</b>	<b>446,729</b>	<b>94,561</b>	<b>248,366</b>	<b>21,579</b>	<b>10,388,283</b>	<b>373,966</b>	<b>-</b>	<b>-</b>	<b>(311,354)</b>	<b>11,262,130</b>
<b>Total liabilities</b>	<b>10,854,159</b>	<b>13,343,120</b>	<b>10,142,035</b>	<b>560,028</b>	<b>18,151,031</b>	<b>7,943,210</b>	<b>-</b>	<b>3,182,035</b>	<b>(20,759,594)</b>	<b>43,416,024</b>
Net assets (deficit):										
Without donor restrictions:										
Undesignated	6,158,146	(2,321,310)	26,582,591	2,480,828	(4,301,748)	2,637,668	-	9,980,080	-	41,216,255
Board designated	-	721,430	-	-	-	-	-	-	-	721,430
	6,158,146	(1,599,880)	26,582,591	2,480,828	(4,301,748)	2,637,668	-	9,980,080	-	41,937,685
With donor restrictions										
	-	-	-	-	-	-	-	2,945,471	-	2,945,471
<b>Total net assets (deficit)</b>	<b>6,158,146</b>	<b>(1,599,880)</b>	<b>26,582,591</b>	<b>2,480,828</b>	<b>(4,301,748)</b>	<b>2,637,668</b>	<b>-</b>	<b>12,925,551</b>	<b>-</b>	<b>44,883,156</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,012,305</b>	<b>\$ 11,743,240</b>	<b>\$ 36,724,626</b>	<b>\$ 3,040,856</b>	<b>\$ 13,849,283</b>	<b>\$ 10,580,878</b>	<b>\$ -</b>	<b>\$ 16,107,586</b>	<b>\$ (20,759,594)</b>	<b>\$ 88,299,180</b>

## 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
<b>Assets</b>										
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
Resident funds	357,977	-	-	45,888	-	71,069	-	-	-	474,934
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
Prepaid expenses	1,855,692	-	-	-	-	-	-	-	-	1,855,692
Loans receivable	160,614	98,269	3,397	34,852	627,844	660,466	-	25,044	-	1,610,486
Notes receivable, current portion	-	-	-	-	-	-	-	9,996	-	9,996
Investments, current	-	-	-	-	-	-	-	7,844,486	-	7,844,486
Due from related parties	-	-	16,086,644	1,210,556	6,104,895	-	284,716	-	(50,373,942)	(26,687,131)
<b>Total current assets</b>	<b>3,752,616</b>	<b>2,974,515</b>	<b>28,414,623</b>	<b>2,333,371</b>	<b>11,108,911</b>	<b>4,992,524</b>	<b>512,979</b>	<b>12,120,518</b>	<b>(50,373,942)</b>	<b>15,836,115</b>
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
<b>Total noncurrent assets</b>	<b>15,832,185</b>	<b>4,690,464</b>	<b>1,230,179</b>	<b>1,009,479</b>	<b>2,031,248</b>	<b>5,408,410</b>	<b>52</b>	<b>2,935,706</b>	<b>(490,383)</b>	<b>32,647,340</b>
<b>Total assets</b>	<b>\$ 19,584,801</b>	<b>\$ 7,664,979</b>	<b>\$ 29,644,802</b>	<b>\$ 3,342,850</b>	<b>\$ 13,140,159</b>	<b>\$ 10,400,934</b>	<b>\$ 513,031</b>	<b>\$ 15,056,224</b>	<b>\$ (50,864,325)</b>	<b>\$ 48,483,455</b>

(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
<b>Liabilities and Net Assets</b>										
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
Resident funds payable	357,977	-	-	45,888	-	71,069	-	-	-	474,934
Deferred revenue	-	-	130,279	-	-	-	-	-	-	130,279
Due to third-party payors	1,461,969	125	-	-	-	-	-	-	-	1,462,094
Due to related parties	8,012,395	8,813,624	-	-	-	4,857,153	-	2,003,639	(50,373,942)	(26,687,131)
<b>Total current liabilities</b>	<b>12,814,437</b>	<b>10,660,407</b>	<b>9,105,366</b>	<b>394,167</b>	<b>7,644,547</b>	<b>7,041,238</b>	<b>69,742</b>	<b>2,034,721</b>	<b>(50,460,211)</b>	<b>(695,586)</b>
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)	-
<b>Total long-term liabilities</b>	<b>404,114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,797,360</b>	<b>217,204</b>	<b>-</b>	<b>-</b>	<b>(404,114)</b>	<b>10,014,564</b>
<b>Total liabilities</b>	<b>13,218,551</b>	<b>10,660,407</b>	<b>9,105,366</b>	<b>394,167</b>	<b>17,441,907</b>	<b>7,258,442</b>	<b>69,742</b>	<b>2,034,721</b>	<b>(50,864,325)</b>	<b>9,318,978</b>
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
<b>Total net assets (deficit)</b>	<b>6,366,250</b>	<b>(2,995,428)</b>	<b>20,539,436</b>	<b>2,948,683</b>	<b>(4,301,748)</b>	<b>3,142,492</b>	<b>443,289</b>	<b>13,021,503</b>	<b>-</b>	<b>39,164,477</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,584,801</b>	<b>\$ 7,664,979</b>	<b>\$ 29,644,802</b>	<b>\$ 3,342,850</b>	<b>\$ 13,140,159</b>	<b>\$ 10,400,934</b>	<b>\$ 513,031</b>	<b>\$ 15,056,224</b>	<b>\$ (50,864,325)</b>	<b>\$ 48,483,455</b>

## Chimes International Limited and Related Entities

### Consolidating Statement of Activities Year Ended June 30, 2020

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,841,320	\$ -	\$ -	\$ -	\$ 31,841,320
Developmental disabilities services	45,716,935	27,293,542	-	5,515,094	-	-	-	(1,092,531)	-	77,433,040
Employment contractual services	-	-	92,080,712	-	-	-	-	-	(175,231)	91,905,481
Management fees	-	-	-	-	12,630,042	-	-	-	(12,524,249)	105,793
Donations and grants	24,850	-	-	-	-	169,270	-	247,019	-	441,139
Miscellaneous	343,429	116,094	34,832	-	373,390	124,211	-	-	(262,366)	729,590
Fundraising income, net of fundraising expenses of \$358,438	-	-	-	-	-	-	-	116,051	-	116,051
<b>Total revenue and other support</b>	<b>46,085,214</b>	<b>27,409,636</b>	<b>92,115,544</b>	<b>5,515,094</b>	<b>13,003,432</b>	<b>32,134,801</b>	<b>-</b>	<b>363,070</b>	<b>(14,054,377)</b>	<b>202,572,414</b>
Expenses:										
Program services:										
Mental health services	-	-	-	-	-	27,536,461	-	-	(1,618,886)	25,917,575
Developmental disabilities services	37,379,980	20,753,544	-	5,142,205	-	-	-	-	(579,284)	62,696,445
Employment contractual services	-	-	80,376,222	-	-	-	-	-	(5,693,333)	74,682,889
Grants	2,715,790	-	-	-	-	-	-	-	-	2,715,790
<b>Total program services</b>	<b>40,095,770</b>	<b>20,753,544</b>	<b>80,376,222</b>	<b>5,142,205</b>	<b>-</b>	<b>27,536,461</b>	<b>-</b>	<b>-</b>	<b>(7,891,503)</b>	<b>166,012,699</b>
Supporting services:										
Management and general	6,194,828	5,218,340	5,700,166	840,744	11,824,501	5,500,207	-	-	(5,217,678)	30,061,108
Fundraising expenses	-	-	-	-	-	-	-	1,304,712	(966,933)	337,779
<b>Total supporting services</b>	<b>6,194,828</b>	<b>5,218,340</b>	<b>5,700,166</b>	<b>840,744</b>	<b>11,824,501</b>	<b>5,500,207</b>	<b>-</b>	<b>1,304,712</b>	<b>(6,184,611)</b>	<b>30,398,887</b>
<b>Total expenses</b>	<b>46,290,598</b>	<b>25,971,884</b>	<b>86,076,388</b>	<b>5,982,949</b>	<b>11,824,501</b>	<b>33,036,668</b>	<b>-</b>	<b>1,304,712</b>	<b>(14,076,114)</b>	<b>196,411,586</b>
<b>Change in net assets before other income</b>	<b>(205,384)</b>	<b>1,437,752</b>	<b>6,039,156</b>	<b>(467,855)</b>	<b>1,178,931</b>	<b>(901,867)</b>	<b>-</b>	<b>(941,642)</b>	<b>21,737</b>	<b>6,160,828</b>
Other income:										
Investment income – net	-	-	-	-	-	-	-	845,690	(21,737)	823,953
Gain (loss) on sale of assets	(2,720)	(42,204)	3,999	-	-	(46,246)	-	-	-	(87,171)
Interest rate swap	-	-	-	-	(1,178,931)	-	-	-	-	(1,178,931)
<b>Other income</b>	<b>(2,720)</b>	<b>(42,204)</b>	<b>3,999</b>	<b>-</b>	<b>(1,178,931)</b>	<b>(46,246)</b>	<b>-</b>	<b>845,690</b>	<b>(21,737)</b>	<b>(442,149)</b>
<b>Changes in net assets</b>	<b>(208,104)</b>	<b>1,395,548</b>	<b>6,043,155</b>	<b>(467,855)</b>	<b>-</b>	<b>(948,113)</b>	<b>-</b>	<b>(95,952)</b>	<b>-</b>	<b>5,718,679</b>
Net assets (deficit):										
Beginning	6,366,250	(2,995,428)	20,539,436	2,948,683	(4,301,748)	3,585,781	-	13,021,503	-	39,164,477
Ending	\$ 6,158,146	\$ (1,599,880)	\$ 26,582,591	\$ 2,480,828	\$ (4,301,748)	\$ 2,637,668	\$ -	\$ 12,925,551	\$ -	\$ 44,883,156

## 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
<b>Total revenue and other support</b>	<b>50,423,528</b>	<b>26,006,423</b>	<b>86,728,890</b>	<b>5,788,188</b>	<b>11,139,439</b>	<b>33,066,118</b>	<b>641,231</b>	<b>803,850</b>	<b>(11,811,652)</b>	<b>202,786,015</b>
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
<b>Total program services</b>	<b>46,226,158</b>	<b>24,238,507</b>	<b>76,038,991</b>	<b>5,283,865</b>	<b>-</b>	<b>26,747,892</b>	<b>593,127</b>	<b>-</b>	<b>(6,678,288)</b>	<b>172,450,252</b>
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
<b>Total supporting services</b>	<b>5,326,047</b>	<b>7,687,275</b>	<b>8,204,539</b>	<b>830,774</b>	<b>13,272,296</b>	<b>6,899,677</b>	<b>-</b>	<b>1,018,819</b>	<b>(5,219,740)</b>	<b>38,019,687</b>
<b>Total expenses</b>	<b>51,552,205</b>	<b>31,925,782</b>	<b>84,243,530</b>	<b>6,114,639</b>	<b>13,272,296</b>	<b>33,647,569</b>	<b>593,127</b>	<b>1,018,819</b>	<b>(11,898,028)</b>	<b>210,469,939</b>
<b>Change in net assets before other income</b>	<b>(1,128,677)</b>	<b>(5,919,359)</b>	<b>2,485,360</b>	<b>(326,451)</b>	<b>(2,132,857)</b>	<b>(581,451)</b>	<b>48,104</b>	<b>(214,969)</b>	<b>86,376</b>	<b>(7,683,924)</b>
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
<b>Other income</b>	<b>206,395</b>	<b>-</b>	<b>(2,757)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,133,997</b>	<b>(86,376)</b>	<b>1,251,259</b>
<b>Changes in net assets</b>	<b>(922,282)</b>	<b>(5,919,359)</b>	<b>2,482,603</b>	<b>(326,451)</b>	<b>(2,132,857)</b>	<b>(581,451)</b>	<b>48,104</b>	<b>919,028</b>	<b>-</b>	<b>(6,432,665)</b>
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 Schedule of Property and Equipment  
June 30, 2020**

	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	\$ -	\$ 680,500	\$ -	\$ 7,907	\$ 4,608,813
Buildings and improvements	28,134,527	4,872,217	-	777,501	-	4,207,024	-	-	37,991,269
Land improvements	337,915	4,150	-	10,720	19,807	-	-	-	372,592
Automobiles	3,723,275	615,613	2,044,157	578,327	84,841	1,104,045	-	-	8,150,258
Furnishings and equipment	4,691,664	1,587,979	3,388,351	365,701	9,555,474	2,706,601	-	-	22,295,770
Leasehold improvements	774,301	1,891,549	195,013	286,496	778,085	437,235	-	-	4,362,679
	<u>40,546,987</u>	<u>9,851,556</u>	<u>5,627,521</u>	<u>2,173,798</u>	<u>10,438,207</u>	<u>9,135,405</u>	-	<u>7,907</u>	<u>77,781,381</u>
Less accumulated depreciation	25,697,362	5,271,623	4,393,532	1,287,668	9,112,256	4,771,935	-	-	50,534,376
	<u>\$ 14,849,625</u>	<u>\$ 4,579,933</u>	<u>\$ 1,233,989</u>	<u>\$ 886,130</u>	<u>\$ 1,325,951</u>	<u>\$ 4,363,470</u>	<u>\$ -</u>	<u>\$ 7,907</u>	<u>\$ 27,247,005</u>

## 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
	40,394,775	9,737,418	5,076,119	2,182,212	10,027,572	10,483,668	13,604	7,907	77,923,275
Less accumulated depreciation	24,579,695	5,083,599	3,854,940	1,209,856	8,371,624	5,075,258	13,552	-	48,188,524
	\$ 15,815,080	\$ 4,653,819	\$ 1,221,179	\$ 972,356	\$ 1,655,948	\$ 5,408,410	\$ 52	\$ 7,907	\$ 29,734,751