

# **Chimes International Limited and Related Entities**

Consolidated Financial Report  
June 30, 2022

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Chimes International Limited

### Report on the Financial Statements

#### **Opinion**

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, 2022 and 2021, the related consolidated 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*RSM US LLP*

Baltimore, Maryland  
November 30, 2022

## Chimes International Limited and Related Entities

### Consolidated Statements of Financial Position June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 47,552,547	\$ 43,033,671
Accounts receivable, net	26,029,010	26,413,006
Resident funds	513,541	754,125
Pledges receivable, net	-	75,427
Prepaid expenses	976,233	1,146,996
Note receivable, current portion	18,623	18,368
Investments, current	11,370,995	9,365,115
<b>Total current assets</b>	<b>86,460,949</b>	<b>80,806,708</b>
Noncurrent assets:		
Restricted cash	2,439,077	1,551,186
Property and equipment, net	27,667,377	27,700,588
Investments, long-term	1,329,178	1,780,521
Note receivable, net of current portion	237,289	255,163
Interest rate swap	271,431	-
Other noncurrent assets	397,166	236,612
<b>Total noncurrent assets</b>	<b>32,341,518</b>	<b>31,524,070</b>
<b>Total assets</b>	<b>\$ 118,802,467</b>	<b>\$ 112,330,778</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 687,403	\$ 660,469
Accounts payable	14,649,762	10,876,075
Accrued expenses and other liabilities	20,507,719	21,525,099
Resident funds payable	513,541	754,125
Deferred revenue and refundable advances	997,933	32,162
Due to third-party payors	2,779,833	4,888,429
Deferred payroll taxes	2,162,809	2,099,170
<b>Total current liabilities</b>	<b>42,299,000</b>	<b>40,835,529</b>
Long-term liabilities:		
Deferred rent	274,474	251,991
Interest rate swap	-	639,566
Mortgages and notes payable, net of current portion	7,972,114	8,659,517
Deferred payroll taxes, net of current portion	-	2,099,171
<b>Total long-term liabilities</b>	<b>8,246,588</b>	<b>11,650,245</b>
<b>Total liabilities</b>	<b>50,545,588</b>	<b>52,485,774</b>
Net assets:		
Without donor restrictions:		
Undesignated	66,448,439	58,768,975
Board designated	-	721,430
	<b>66,448,439</b>	<b>59,490,405</b>
With donor restrictions	1,808,440	354,599
<b>Total net assets</b>	<b>68,256,879</b>	<b>59,845,004</b>
<b>Total liabilities and net assets</b>	<b>\$ 118,802,467</b>	<b>\$ 112,330,778</b>

See notes to consolidated financial statements.

**Chimes International Limited and Related Entities**

**Consolidated Statement of Activities  
Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Behavioral health services	\$ 31,444,838	\$ 1,707,665	\$ 33,152,503
Developmental disabilities services	67,490,195	-	67,490,195
Employment contractual services	104,954,263	-	104,954,263
Community support services	3,691,633	-	3,691,633
Administrative	785,446	-	785,446
Donations and grants	1,078,989	65	1,079,054
Miscellaneous	308,545	-	308,545
Fundraising income, net of fundraising expenses of \$22,082	256,357	-	256,357
Net assets released from restrictions	253,889	(253,889)	-
<b>Total revenue and other support</b>	<b>210,264,155</b>	<b>1,453,841</b>	<b>211,717,996</b>
Expenses:			
Program services:			
Mental health services	25,711,143	-	25,711,143
Developmental disabilities services	61,173,504	-	61,173,504
Employment contractual services	81,221,325	-	81,221,325
Grants	2,833,396	-	2,833,396
<b>Total program services</b>	<b>170,939,368</b>	<b>-</b>	<b>170,939,368</b>
Supporting services:			
Management and general	31,514,095	-	31,514,095
Fundraising expenses	286,334	-	286,334
<b>Total supporting services</b>	<b>31,800,429</b>	<b>-</b>	<b>31,800,429</b>
<b>Total expenses</b>	<b>202,739,797</b>	<b>-</b>	<b>202,739,797</b>
<b>Change in net assets before other other income (loss)</b>	<b>7,524,358</b>	<b>1,453,841</b>	<b>8,978,199</b>
Other income (loss):			
Investment loss—net	(1,560,762)	-	(1,560,762)
Gain on sale of assets	83,441	-	83,441
Gain on interest rate swap	910,997	-	910,997
<b>Other income (loss):</b>	<b>(566,324)</b>	<b>-</b>	<b>(566,324)</b>
<b>Change in net assets</b>	<b>6,958,034</b>	<b>1,453,841</b>	<b>8,411,875</b>
Net assets:			
Beginning	59,490,405	354,599	59,845,004
Ending	<b>\$ 66,448,439</b>	<b>\$ 1,808,440</b>	<b>\$ 68,256,879</b>

See notes to consolidated financial statements.

## Chimes International Limited and Related Entities

### Consolidated Statement of Activities Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Behavioral health services	\$ 30,539,897	\$ -	\$ 30,539,897
Developmental disabilities services	64,664,971	-	64,664,971
Employment contractual services	100,051,775	-	100,051,775
Community support services	3,702,331	-	3,702,331
Administrative	708,069	-	708,069
Donations and grants	87,813	52,636	140,449
Miscellaneous	254,263	-	254,263
Fundraising income, net of fundraising expenses of \$1,852	96,380	-	96,380
Net assets released from restrictions	2,643,508	(2,643,508)	-
<b>Total revenue and other support</b>	<b>202,749,007</b>	<b>(2,590,872)</b>	<b>200,158,135</b>
Expenses:			
Program services:			
Mental health services	24,471,869	-	24,471,869
Developmental disabilities services	52,717,671	-	52,717,671
Employment contractual services	78,623,102	-	78,623,102
Grants	2,839,517	-	2,839,517
<b>Total program services</b>	<b>158,652,159</b>	<b>-</b>	<b>158,652,159</b>
Supporting services:			
Management and general	29,727,982	-	29,727,982
Fundraising expenses	112,433	-	112,433
<b>Total supporting services</b>	<b>29,840,415</b>	<b>-</b>	<b>29,840,415</b>
<b>Total expenses</b>	<b>188,492,574</b>	<b>-</b>	<b>188,492,574</b>
<b>Change in net assets before other other income</b>	<b>14,256,433</b>	<b>(2,590,872)</b>	<b>11,665,561</b>
Other income:			
Investment income—net	2,562,266	-	2,562,266
Gain on sale of assets	194,656	-	194,656
Gain on interest rate swap	539,365	-	539,365
<b>Other income</b>	<b>3,296,287</b>	<b>-</b>	<b>3,296,287</b>
<b>Change in net assets</b>	<b>17,552,720</b>	<b>(2,590,872)</b>	<b>14,961,848</b>
Net assets:			
Beginning	41,937,685	2,945,471	44,883,156
Ending	\$ 59,490,405	\$ 354,599	\$ 59,845,004

See notes to consolidated financial statements.

## Chimes International Limited and Related Entities

### Consolidated Statement of Functional Expenses Year Ended June 30, 2022 (With Comparative Totals for 2021)

	2022				2021					
	Mental Health Services	Developmental Disabilities Services	Employment Services	Grant	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 15,462,301	\$ 32,506,348	\$ 36,450,034	\$ 1,033,827	\$ 85,452,510	\$ 14,039,169	\$ -	\$ 14,039,169	\$ 99,491,679	\$ 94,521,677
Salaries overtime	649,762	5,621,878	421,755	6,815	6,700,210	71,369	-	71,369	6,771,579	5,190,933
Temporary labor	980,969	2,535,552	27,162	108	3,543,791	361,035	-	361,035	3,904,826	2,699,173
Client payroll	-	77,861	-	-	77,861	-	-	-	77,861	73,037
Fringe benefits	3,949,197	7,969,541	14,841,434	170,138	26,930,310	3,544,248	-	3,544,248	30,474,558	31,848,435
Consultants and contractual	1,923	1,165,787	55,770	645	1,224,125	3,403,236	91,693	3,494,929	4,719,054	4,711,021
Telephone	396,328	453,705	203,875	2,090	1,055,998	255,793	-	255,793	1,311,791	1,382,961
Office and other expenses	643,627	1,004,871	4,060,230	18,200	5,726,928	2,081,449	83,072	2,164,521	7,891,449	6,663,204
Vehicle leases, operation and travel	314,318	1,291,076	333,903	7,624	1,946,921	340,910	-	340,910	2,287,831	1,470,868
Building, equipment and furnishings	97,834	99,514	233,420	-	430,768	394,020	-	394,020	824,788	893,545
Repairs to furnishings and equipment	330,607	648,645	130,957	173	1,110,382	157,049	-	157,049	1,267,431	1,026,589
Housekeeping supplies	28,076	220,795	47	299	249,217	-	-	-	249,217	214,527
Contract maintenance and service contracts	-	813,519	19,348,888	891	20,163,298	1,703,410	12,428	1,715,838	21,879,136	21,333,249
Rent and interest expense	1,940,025	1,316,487	29,808	-	3,286,320	1,136,499	-	1,136,499	4,422,819	4,491,077
Utilities	286,319	1,078,314	50,657	2,747	1,418,037	160,232	-	160,232	1,578,269	1,578,955
Client transportation	-	209,092	-	-	209,092	-	-	-	209,092	-
Supplemental expenses	-	1,889	-	-	1,889	-	-	-	1,889	4,293
Food	130,342	1,584,320	-	447	1,715,109	12,215	-	12,215	1,727,324	1,456,828
Disposable supplies	-	-	-	-	-	313	-	313	313	23
Kitchen and food service supplies	-	12,452	-	-	12,452	-	-	-	12,452	3,988
Training supplies and equipment	11,226	32,315	4,165,303	-	4,208,844	28,100	-	28,100	4,236,944	2,728,752
Medical supplies and equipment	1,411	84,245	-	40	85,696	243,205	-	243,205	328,901	554,962
Program activities	376,515	73,750	-	112	450,377	9,697	-	9,697	460,074	156,183
Purchase of services	-	4,224	-	1,587,054	1,591,278	-	-	-	1,591,278	792,855
Bad debt	1,908	1,058,058	-	-	1,059,966	2,656,405	99,141	2,755,546	3,815,512	1,511,337
Depreciation and amortization	108,455	1,309,266	868,082	2,186	2,287,989	915,741	-	915,741	3,203,730	3,184,102
<b>Total</b>	<b>\$ 25,711,143</b>	<b>\$ 61,173,504</b>	<b>\$ 81,221,325</b>	<b>\$ 2,833,396</b>	<b>\$ 170,939,368</b>	<b>\$ 31,514,095</b>	<b>\$ 286,334</b>	<b>\$ 31,800,429</b>	<b>\$202,739,797</b>	<b>\$ 188,492,574</b>

See notes to consolidated financial statements.



## Chimes International Limited and Related Entities

### Consolidated Statement of Functional Expenses Year Ended June 30, 2021

	2021				Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
	Mental Health Services	Developmental Disabilities Services	Employment Services	Grant					
Salaries	\$ 15,364,012	\$ 27,274,531	\$ 36,038,186	\$ 1,624,306	\$ 80,301,035	\$ 14,220,642	\$ -	\$ 14,220,642	\$ 94,521,677
Salaries overtime	633,541	4,221,108	253,209	49,461	5,157,319	33,614	-	33,614	5,190,933
Temporary labor	885,190	1,783,649	-	432	2,669,271	29,902	-	29,902	2,699,173
Client payroll	-	73,037	-	-	73,037	-	-	-	73,037
Fringe benefits	3,718,156	9,379,199	15,670,973	372,645	29,140,973	2,707,462	-	2,707,462	31,848,435
Consultants and contractual	4,584	1,321,117	288,328	737	1,614,766	3,060,831	35,424	3,096,255	4,711,021
Telephone	368,600	443,056	217,013	3,125	1,031,794	351,167	-	351,167	1,382,961
Office and other expenses	413,630	279,686	3,401,077	1,497	4,095,890	2,501,275	66,039	2,567,314	6,663,204
Vehicle leases, operation and travel	160,953	910,947	206,390	4,166	1,282,456	188,412	-	188,412	1,470,868
Building, equipment and furnishings	67,059	76,142	132,006	50	275,257	618,288	-	618,288	893,545
Repairs to furnishings and equipment	277,466	475,688	98,846	118	852,118	174,471	-	174,471	1,026,589
Housekeeping supplies	19,368	188,530	-	168	208,066	6,461	-	6,461	214,527
Contract maintenance and service contracts	-	811,641	18,868,886	90	19,680,617	1,641,662	10,970	1,652,632	21,333,249
Rent and interest expense	1,925,260	1,382,473	22,560	-	3,330,293	1,160,784	-	1,160,784	4,491,077
Utilities	256,579	1,110,162	33,736	3,764	1,404,241	174,714	-	174,714	1,578,955
Supplemental expenses	-	4,293	-	-	4,293	-	-	-	4,293
Food	136,147	1,314,362	-	2,852	1,453,361	3,467	-	3,467	1,456,828
Disposable supplies	-	23	-	-	23	-	-	-	23
Kitchen and food service supplies	-	2,832	-	-	2,832	1,156	-	1,156	3,988
Training supplies and equipment	5,468	49,355	2,662,909	-	2,717,732	11,020	-	11,020	2,728,752
Medical supplies and equipment	3,036	257,696	-	367	261,099	293,863	-	293,863	554,962
Program activities	103,290	50,989	-	-	154,279	1,904	-	1,904	156,183
Purchase of services	-	10,020	-	771,074	781,094	11,761	-	11,761	792,855
Bad debt	5,606	135,631	-	-	141,237	1,370,100	-	1,370,100	1,511,337
Depreciation	123,924	1,161,504	728,983	4,665	2,019,076	1,165,026	-	1,165,026	3,184,102
<b>Total</b>	<b>\$ 24,471,869</b>	<b>\$ 52,717,671</b>	<b>\$ 78,623,102</b>	<b>\$ 2,839,517</b>	<b>\$ 158,652,159</b>	<b>\$ 29,727,982</b>	<b>\$ 112,433</b>	<b>\$ 29,840,415</b>	<b>\$ 188,492,574</b>

See notes to consolidated financial statements.

## Chimes International Limited and Related Entities

### Consolidated Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 8,411,875	\$ 14,961,848
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,203,730	3,184,102
(Decrease) increase in allowance for doubtful accounts	(471,535)	7,951
Realized and unrealized (gain) loss on investments, net	1,659,585	(2,464,926)
Gain on interest rate swap	(910,997)	(539,365)
Gain on sale of land, buildings and equipment	(83,441)	(194,656)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	855,531	(4,244,986)
Pledges receivable	75,427	1,300
Prepaid expenses	170,763	97,955
Other noncurrent assets	(160,554)	(9,812)
Increase (decrease) in:		
Accounts payable	3,247,075	3,749,048
Accrued expenses and other liabilities	(1,017,380)	3,252,679
Deferred rent	22,483	1,578
Due to third-party payors	(2,108,596)	1,867,598
Deferred revenue and refundable advances	965,771	(150,856)
Deferred payroll taxes	(2,035,532)	1,372,923
<b>Net cash provided by operating activities</b>	<b>11,824,205</b>	<b>20,892,381</b>
Cash flows from investing activities:		
Purchases of investments	(5,306,643)	(1,956,865)
Purchases of property and equipment	(3,281,466)	(3,795,839)
Proceeds from sales of property and equipment	721,000	352,810
Proceeds from sales of investments	2,092,521	4,125,713
(Increase) decrease in loans receivable	17,619	(247)
(Increase) decrease in notes receivable	-	10,226
<b>Net cash used in investing activities</b>	<b>(5,756,969)</b>	<b>(1,264,202)</b>
Cash flows from financing activities:		
Principal payments on mortgages and notes payable	(660,469)	(632,074)
Proceeds from long-term debt	-	154,700
<b>Net cash used in financing activities</b>	<b>(660,469)</b>	<b>(477,374)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,406,767</b>	<b>19,150,805</b>
Cash and cash equivalents (including restricted cash):		
Beginning	44,584,857	25,434,052
Ending	\$ 49,991,624	\$ 44,584,857
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 363,389	\$ 425,961
Supplemental schedule of noncash activities:		
Fixed asset purchases included in accounts payable	\$ 526,612	\$ 857,821

See notes to consolidated financial statements.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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#### 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

All significant intercompany accounts and transactions have been eliminated 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 and CES. All 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.

**Basis of presentation:** The consolidated 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.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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

**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 \$0 and \$721,430 as of June 30, 2022 and 2021, 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 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 consolidated financial statements. The Organization's investments are recorded in the consolidated statements of financial position at net asset value or fair value. Unrealized gains and losses on these investments are included as a component of investment income in the consolidated 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, 2022 and 2021, was \$1,472,703 and \$1,944,238, 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

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#### 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 substantially 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, 2022 and 2021, are \$187,860 and \$189,385, respectively. The allowance for uncollectible pledges for the years ended June 30, 2022 and 2021, are \$187,860 and \$113,958, respectively, resulting in net unconditional pledges of \$0 and \$75,427, 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 gain or loss on interest rate swap contracts.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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#### 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 consolidated financial statements in conformity with United States generally accepted accounting principles (U.S. 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 consolidated 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:** 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 \$1,042,912 and \$1,067,771 as of June 30, 2022 and 2021, respectively, which is included in accrued expenses and other liabilities on the consolidated statements of financial position.

**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, 2022 and 2021, cash reserves held in a separate account amount to \$2,439,077 and \$1,551,186, respectively. The Organization's liabilities under the self-insured plan amounted to \$3,402,264 and \$4,432,956 for the years ended June 30, 2022 and 2021, respectively, which is included in accrued expenses and other liabilities on the consolidated statements of financial position.

**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.

The Organization recognizes contract revenue using a five-step process that includes: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations and (5) recognizing revenue when (or as) each performance obligation is satisfied.

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 substantially 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 consolidated statements of financial position.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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#### 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.

Mental Health Services are recognized as revenue at the point in time certain agreed upon services are provided to clients or members. These services are a result of contracts to provide mental health services based on contracts between insurance carriers and certain Pennsylvania counties with Holcomb. The revenue is determined based on a fee schedule agreed to by both parties.

Employment Services are recognized as revenue when Chimes—DC completes the custodial services performance work statements and said work is accepted by the government on a monthly basis. The contracts are substantially all fixed price in nature and the transaction price is established in each contract.

Developmental Disabilities Services are recognized as revenue at the point in time home and community-based services to individuals with developmental disabilities are provided. Chimes—Maryland has a contract with the Developmental Disabilities Administration (DDA), a unit of the Maryland Department of Health, to provide home and community-based services to individuals with a developmental disability in the state of Maryland funded under at least one of the DDA's Medicaid Section 1915 (c) Waiver programs. Each individual will have an approved Person-Centered Plan (PCP) identifying services that will be provided, and each service has a defined unit of revenue to be paid to Chimes—Maryland upon the delivery of the service. Chimes—Maryland is entitled to be compensated for the services provided once the individual's Person-Centered Plan has been approved by the state.

Community Support Services are recognized as revenue at the point in time home and community-based services to individuals with developmental disabilities are provided. Chimes—Maryland has a contract with the Developmental Disabilities Administration (DDA), a unit of the Maryland Department of Health, to provide home and community-based services to individuals with a developmental disability in the state of Maryland funded under at least one of the DDA's Medicaid Section 1915 (c) Waiver programs. Each individual will have an approved PCP identifying services that will be provided, and each service has a defined unit of revenue to be paid to Chimes—Maryland upon the delivery of the service. Chimes—Maryland is entitled to be compensated for the services provided once the individual's PCP has been approved by the state.

The Organization received distributions under the Provider Relief Funds (PRF) provision of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The recognition of revenue related to these funds is conditioned upon the Organization meeting certain terms and conditions, including utilizing PRF payments to reimburse the Organization for qualifying expenses or lost revenue attributable to coronavirus (COVID-19). Amounts recognized could change in the future based on evolving grant compliance guidance provided by the government. The Organization received \$2,057,134 of PRF payments, which is recognized as revenue in the consolidated statement of activities for the year ended June 30, 2021.

The Organization received and recognized an additional \$2,816,784 of revenue under the Coronavirus Relief Funds provision of the CARES Act. The recognition of revenue related to these funds is conditioned upon the Organization using the funds for qualifying expenses. The Organization incurred qualifying expenses and met all conditions to recognize the full amount of funding as revenue in the consolidated statement of activities for the year ended June 30, 2021.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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#### 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 consolidated 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 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.

**Pending accounting pronouncements:** In February 2016, the FASB issued Accounting Standards Update 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 are 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 consolidated financial statements.

**Reclassifications:** Certain items in the June 30, 2021, consolidated financial statements have been reclassified to conform to the June 30, 2022, consolidated financial statement presentation. The reclassifications had no effect on the previously reported net assets or change in net assets.

**Subsequent events:** The Organization evaluated subsequent events through November 30, 2022, which is the date the consolidated financial statements were available to be issued.



## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

#### Note 2. Property and Equipment

Major classes of property and equipment at June 30, 2022 and 2021, are as follows:

	2022	2021
Land	\$ 4,383,760	\$ 4,538,813
Buildings and improvements	39,434,437	38,542,630
Land improvements	426,868	383,849
Automobiles	9,175,423	8,597,718
Furnishings and equipment	23,859,207	23,891,439
Leasehold improvements	5,828,996	5,082,722
	<u>83,108,691</u>	<u>81,037,171</u>
Less accumulated depreciation	(55,441,314)	(53,336,583)
	<u>\$ 27,667,377</u>	<u>\$ 27,700,588</u>

Depreciation on these assets for the years ended June 30, 2022 and 2021, was \$3,203,730 and \$3,184,102, 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, 2022 and 2021, are as follows:

	2022		2021	
	Cost	Market Value	Cost	Market Value
Corporate bonds	\$ 4,598,210	\$ 4,566,756	\$ 2,302,754	\$ 2,347,429
Government bonds	552,677	543,679	-	-
Common stocks	1,925,278	2,275,232	1,313,154	2,612,162
Mutual funds	3,140,557	5,215,611	3,020,153	5,878,941
REIT	-	-	40,656	55,844
Certificates of deposit	47,666	98,895	206,549	251,260
	<u>\$ 10,264,388</u>	<u>\$ 12,700,173</u>	<u>\$ 6,883,266</u>	<u>\$ 11,145,636</u>

The following schedule summarizes the investment income (loss) and its classification in the consolidated statements of activities for the years ended June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 98,823	\$ -	\$ 98,823
Realized and unrealized loss—net	(1,659,585)	-	(1,659,585)
	<u>\$ (1,560,762)</u>	<u>\$ -</u>	<u>\$ (1,560,762)</u>

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 97,340	\$ -	\$ 97,340
Realized and unrealized gains—net	2,464,926	-	2,464,926
	<u>\$ 2,562,266</u>	<u>\$ -</u>	<u>\$ 2,562,266</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.

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, 2022 and 2021.

**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 and government 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 consolidated 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.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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

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, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks	\$ 2,275,232	\$ -	\$ -	\$ 2,275,232
Mutual funds:				
Large value	325,643	-	-	325,643
Large blend	4,889,968	-	-	4,889,968
Corporate bonds	-	4,566,756	-	4,566,756
Government bonds	-	543,679	-	543,679
Certificates of deposit	-	98,895	-	98,895
Total investments	<u>\$ 7,490,843</u>	<u>\$ 5,209,330</u>	<u>\$ -</u>	<u>\$ 12,700,173</u>
Interest rate swap agreements	\$ -	\$ 271,431	\$ -	\$ 271,431
	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks	\$ 2,612,162	\$ -	\$ -	\$ 2,612,162
Mutual funds				
Large value	333,457	-	-	333,457
Large blend	5,545,484	-	-	5,545,484
Corporate bonds	-	2,347,429	-	2,347,429
REIT	55,844	-	-	55,844
Certificates of deposit	-	251,260	-	251,260
Total investments	<u>\$ 8,546,947</u>	<u>\$ 2,598,689</u>	<u>\$ -</u>	<u>\$ 11,145,636</u>
Interest rate swap agreements	\$ -	\$ 639,566	\$ -	\$ 639,566

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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#### Note 4. Short-Term Borrowings

Chimes International has a \$15,300,000 consolidated line of credit with Truist Bank (formerly BB&T) that 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 (4.04% and 2.75% at June 30, 2022 and 2021, respectively). The consolidated line of credit was renewed in September 2020, is scheduled to mature on March 31, 2025. There was no outstanding balance for the consolidated line of credit as of June 30, 2022 and 2021. 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 Truist Bank, 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 175 points (4.04% and 2.75% as of June 30, 2022 and 2021, respectively). The loan is scheduled to expire March 31, 2025. There was no outstanding balance at June 30, 2022 and 2021.

#### Note 5. Mortgages and Notes Payable

In June 2019, International refinanced its debt and entered into a term loan agreement with Truist Bank for \$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 (4.04% and 2.75% at June 30, 2022 and 2021, respectively) and matures on October 20, 2032. The outstanding balance of this loan was \$8,517,570 and \$9,169,503 as of June 30, 2022 and 2021, respectively. The Organization is required to comply with certain financial and non-financial covenants.

On October 23, 2020, the Organization entered into a mortgage agreement in the amount of \$154,700 to purchase a residential property. The mortgage requires monthly principal and interest payments of \$1,169, beginning on November 23, 2020, and has a fixed interest rate of 4.25%. The mortgage matures on November 20, 2032, and has an outstanding balance of \$141,947 and \$150,483 as of June 30, 2022 and 2021, respectively.

Payments of principal during the next five years and thereafter as of June 30, 2022, are as follows:

Years ending June 30:	
2023	\$ 687,403
2024	715,419
2025	744,609
2026	774,973
2027	806,576
Thereafter	4,930,537
	<u>\$ 8,659,517</u>

#### Note 6. Interest Rate Swap

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 (3.34% and 3.97% at June 30, 2022 and 2021, respectively) and the receipt of a variable rate of interest (LIBOR) on the notional amount of indebtedness. The recorded fair value of the interest rate swap was an asset of \$271,431 and liability of \$639,566 as of June 30, 2022 and 2021, respectively, resulting in a gain on interest rate swap of \$910,997 and \$539,365 for the years ended June 30, 2022 and 2021, respectively.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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

During the years ended June 30, 2022 and 2021, changes in net assets with donor restrictions were as follows:

	2022			
	Balance			Balance
	June 30, 2021	Additions	Releases	June 30, 2022
Subject to expenditure for a specific purpose or period:				
Tina Hyatt Fund	\$ 293,088	\$ 65	\$ -	\$ 293,153
Chimes Metro Millsboro	31,817	-	(5,000)	26,817
Chimes Maryland (Safeway)	4,824	-	-	4,824
Holcomb Clubhouse	1,500	-	-	1,500
Holcomb Recruiting and Retention for employees	-	1,707,665	(225,519)	1,482,146
	<u>331,229</u>	<u>1,707,730</u>	<u>(230,519)</u>	<u>1,808,440</u>
Subject to the Organization's spending policy and appropriation:				
Ina and Norman Lampner Fund	23,370	-	(23,370)	-
	<u>23,370</u>	<u>-</u>	<u>(23,370)</u>	<u>-</u>
	<u>\$ 354,599</u>	<u>\$ 1,707,730</u>	<u>\$ (253,889)</u>	<u>\$ 1,808,440</u>
	2021			
	Balance			Balance
	June 30, 2020	Additions	Releases	June 30, 2021
Subject to expenditure for a specific purpose or period:				
Tina Hyatt Fund	\$ 242,501	\$ 50,587	\$ -	\$ 293,088
Chimes Metro Millsboro	29,767	2,050	-	31,817
Chimes Maryland (Safeway)	4,824	-	-	4,824
Holcomb Clubhouse	1,500	-	-	1,500
	<u>278,592</u>	<u>52,637</u>	<u>-</u>	<u>331,229</u>
Subject to the Organization's spending policy and appropriation:				
Ina and Norman Lampner Fund	23,370	-	-	23,370
Weinberg Foundation Fund	2,643,509	-	(2,643,509)	-
	<u>2,666,879</u>	<u>-</u>	<u>(2,643,509)</u>	<u>23,370</u>
	<u>\$2,945,471</u>	<u>\$ 52,637</u>	<u>\$ (2,643,509)</u>	<u>\$ 354,599</u>

#### 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 consisted of two funds—the Ina and Norman Lampner Fund and The Weinberg Foundation 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, 2022, the full amount of the endowment has been released from restrictions by the donor and reclassified into net assets without donor restrictions as net assets released from restrictions.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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#### Note 8. Endowment (Continued)

**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 supports, 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, 2021, the full amount of the endowment has been released from restrictions by the donor and reclassified into net assets without donor restrictions as net assets released from restrictions.

**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.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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#### Note 8. Endowment (Continued)

Changes in endowment net assets for the years ended June 30, 2022 and 2021, are as follows:

Donor-restricted endowment, June 30, 2020	\$ 2,666,878
Change in donor intent—release from endowment and restrictions	<u>(2,643,508)</u>
Donor-restricted endowment, June 30, 2021	23,370
Change in donor intent—release from endowment and restrictions	<u>(23,370)</u>
Donor-restricted endowment, June 30, 2022	<u><u>\$ -</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, 2022 and 2021, was \$2,216,860 and \$1,124,760, 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.

During November 2021, International established a 457(b) plan, whereby a select group of employees are eligible to participate. The annual limit on total contributions generally is the lesser of 100% of the participant's compensation or \$19,500. Distributions will occur at termination of employment and may be made in a lump sum or in periodic installments, as elected by the participant. Total contribution expense was \$11,658 and \$0 during the years ended June 30, 2022 and 2021, respectively. There were no liabilities at June 30, 2022 and June 30, 2021, respectively.

During November 2021, International established a 457(f) plan, whereby a select group of employees are eligible to participate. The Plan requires International to make annual contributions to a participant's account in an amount equal to 8% of the participant's annual base salary for the year. Contributions are distributed in a single lump sum on the date on which it becomes vested or within 30 days thereafter. Total contribution expenses was \$439,575 and \$0 during the years ended June 30, 2022 and 2021, respectively. Total liabilities were \$57,842 and \$0 at June 30, 2022 and June 30, 2021, respectively.

#### 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 \$274,474 and \$251,991 at June 30, 2022 and 2021, respectively.

## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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#### 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.

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, 2022 and 2021, totaled \$3,531,495 and \$3,208,622, 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, 2022, are as follows for the years ending June 30:

2023	\$ 2,880,300
2024	1,754,166
2025	1,716,233
2026	1,177,175
2027	1,082,848
Thereafter	1,591,962
	<u>\$ 10,202,684</u>

Rent expense for the years ended June 30, 2022 and 2021, was \$3,546,038 and \$3,591,074, respectively.

The Organization acts as an agent on behalf of individuals served regarding the holding of client cash funds. At June 30, 2022 and 2021, the Organization was holding \$513,541 and \$754,125, respectively.

**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 credit with Truist Bank. At June 30, 2022 and 2021, three letters of credit to ensure payment for workers' compensation insurance totaled \$2,416,800 and \$2,733,000, respectively. These letters of credit are issued under the \$15,300,000 credit facility from Truist Bank for International.

**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, 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.



## Chimes International Limited and Related Entities

### Notes to Consolidated Financial Statements

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

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.

#### 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 third-party payors. The Organization's total amount due to third-party payors as of June 30, 2022 and 2021, was \$2,779,833 and \$4,888,429, respectively.

#### Note 13. 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 4).

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

	2022	2021
Cash and cash equivalents	\$ 47,552,547	\$ 43,033,671
Restricted cash	2,439,077	1,551,186
Accounts receivable, net	26,029,010	26,413,006
Pledges receivable, net	-	75,427
Investments	12,700,173	11,145,636
Note receivable	255,912	273,531
	<u>88,976,719</u>	<u>82,492,457</u>
Less long-term investments	(1,329,178)	(1,780,521)
Less long-term portion of note receivable	(237,289)	(255,163)
Less those unavailable for general expenditures within one year, due to:		
Restrictions by donors	(1,808,440)	(354,599)
Restricted cash	(2,439,077)	(1,551,186)
Board designations	-	(721,430)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 83,162,735</u>	<u>\$ 77,829,558</u>



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

Board of Directors  
Chimes International Limited

We have audited the consolidated financial statements of Chimes International Limited and Related Entities (the Organization) as of and for the years ended June 30, 2022 and 2021, and have issued our report thereon, dated November 30, 2022, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating 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 consolidated financial statements as a whole.

*RSM US LLP*

Baltimore, Maryland  
November 30, 2022

## Chimes International Limited and Related Entities

### Consolidating Statement of Financial Position June 30, 2022

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
<b>Assets</b>									
Current assets:									
Cash and cash equivalents	\$ 8,572	\$ 78,181	\$ 12,376,516	\$ 2,752	\$ 26,920,912	\$ 5,009,119	\$ 3,156,495	\$ -	\$ 47,552,547
Accounts receivable, net	968,345	2,806,852	17,730,600	1,145,688	(41,946)	3,396,101	23,370	-	26,029,010
Resident funds	352,418	-	-	78,422	-	82,701	-	-	513,541
Prepaid expenses	143,388	110,781	11,246	48,987	444,155	210,856	6,820	-	976,233
Note receivable, current portion	-	-	-	-	-	-	18,623	-	18,623
Investments, current	-	-	-	-	-	-	11,370,995	-	11,370,995
Due from related parties	-	-	31,822,166	318,531	-	486,581	-	(32,627,278)	-
<b>Total current assets</b>	<b>1,472,723</b>	<b>2,995,814</b>	<b>61,940,528</b>	<b>1,594,380</b>	<b>27,323,121</b>	<b>9,185,358</b>	<b>14,576,303</b>	<b>(32,627,278)</b>	<b>86,460,949</b>
Noncurrent assets:									
Restricted cash	-	-	-	-	2,439,077	-	-	-	2,439,077
Property and equipment, net	15,455,055	5,252,297	1,799,410	152,673	923,749	4,076,286	7,907	-	27,667,377
Investments, long-term	-	-	-	-	-	-	1,329,178	-	1,329,178
Note receivable, net of current portion	-	-	-	-	-	-	453,511	(216,222)	237,289
Interest rate swap	-	-	-	-	271,431	-	-	-	271,431
Other noncurrent assets	9,763	38,581	24,918	24,533	140,000	159,371	-	-	397,166
<b>Total noncurrent assets</b>	<b>15,464,818</b>	<b>5,290,878</b>	<b>1,824,328</b>	<b>177,206</b>	<b>3,774,257</b>	<b>4,235,657</b>	<b>1,790,596</b>	<b>(216,222)</b>	<b>32,341,518</b>
<b>Total assets</b>	<b>\$ 16,937,541</b>	<b>\$ 8,286,692</b>	<b>\$ 63,764,856</b>	<b>\$ 1,771,586</b>	<b>\$ 31,097,378</b>	<b>\$ 13,421,015</b>	<b>\$ 16,366,899</b>	<b>\$ (32,843,500)</b>	<b>\$ 118,802,467</b>

(Continued)

## Chimes International Limited and Related Entities

### Consolidating Statement of Financial Position (Continued)

June 30, 2022

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
<b>Liabilities and Net Assets</b>									
Current liabilities:									
Current maturities of long-term debt	\$ 96,151	\$ -	\$ -	-	\$ 679,339	8,064	-	\$ (96,151)	\$ 687,403
Accounts payable	1,060,431	134,549	8,708,594	56,554	584,908	4,080,806	23,920	-	14,649,762
Accrued expenses and other liabilities	2,489,749	2,179,617	6,367,111	400,914	7,052,069	1,996,094	22,165	-	20,507,719
Resident funds payable	352,418	-	-	78,422	-	82,701	-	-	513,541
Deferred revenue and refundable advances	-	-	-	-	-	997,933	-	-	997,933
Due to third-party payors	2,779,833	-	-	-	-	-	-	-	2,779,833
Due to related parties	2,194,464	8,745,406	-	-	19,134,116	-	2,553,292	(32,627,278)	-
Deferred payroll taxes	428,166	312,040	863,592	70,666	110,609	377,736	-	-	2,162,809
<b>Total current liabilities</b>	<b>9,401,212</b>	<b>11,371,612</b>	<b>15,939,297</b>	<b>606,556</b>	<b>27,561,041</b>	<b>7,543,334</b>	<b>2,599,377</b>	<b>(32,723,429)</b>	<b>42,299,000</b>
Long-term liabilities:									
Deferred rent	-	-	-	-	-	274,474	-	-	274,474
Interest rate swap	-	-	-	-	-	-	-	-	-
Mortgages and notes payable, net of current portion	-	-	-	-	7,838,085	134,029	-	-	7,972,114
Loans payable—related party	120,071	-	-	-	-	-	-	(120,071)	-
<b>Total long-term liabilities</b>	<b>120,071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,838,085</b>	<b>408,503</b>	<b>-</b>	<b>(120,071)</b>	<b>8,246,588</b>
<b>Total liabilities</b>	<b>9,521,283</b>	<b>11,371,612</b>	<b>15,939,297</b>	<b>606,556</b>	<b>35,399,126</b>	<b>7,951,837</b>	<b>2,599,377</b>	<b>(32,843,500)</b>	<b>50,545,588</b>
Net assets (deficit):									
Without donor restrictions:									
Undesignated	7,416,258	(3,084,920)	47,825,559	1,165,030	(4,301,748)	3,987,032	13,441,228	-	66,448,439
Board designated	-	-	-	-	-	-	-	-	-
	7,416,258	(3,084,920)	47,825,559	1,165,030	(4,301,748)	3,987,032	13,441,228	-	66,448,439
With donor restrictions									
	-	-	-	-	-	1,482,146	326,294	-	1,808,440
<b>Total net assets (deficit)</b>	<b>7,416,258</b>	<b>(3,084,920)</b>	<b>47,825,559</b>	<b>1,165,030</b>	<b>(4,301,748)</b>	<b>5,469,178</b>	<b>13,767,522</b>	<b>-</b>	<b>68,256,879</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,937,541</b>	<b>\$ 8,286,692</b>	<b>\$ 63,764,856</b>	<b>\$ 1,771,586</b>	<b>\$ 31,097,378</b>	<b>\$ 13,421,015</b>	<b>\$ 16,366,899</b>	<b>\$ (32,843,500)</b>	<b>\$ 118,802,467</b>

## Chimes International Limited and Related Entities

### Consolidating Statement of Financial Position June 30, 2021

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
<b>Assets</b>									
Current assets:									
Cash and cash equivalents	\$ 8,708	\$ 82,579	\$ 9,617,771	\$ 1,502	\$ 24,045,359	\$ 4,241,463	\$ 5,036,289	\$ -	\$ 43,033,671
Resident funds	584,297	-	-	86,890	-	82,938	-	-	754,125
Accounts receivable, net	705,092	5,648,049	14,972,890	1,451,406	529,743	3,082,455	23,371	-	26,413,006
Pledges receivable, net	-	-	-	-	-	-	75,427	-	75,427
Prepaid expenses	195,314	100,869	69,155	50,894	503,891	207,803	19,070	-	1,146,996
Note receivable, current portion	-	-	-	-	-	-	18,368	-	18,368
Investments, current	-	-	-	-	-	-	9,365,115	-	9,365,115
Due from related parties	1,567,014	-	22,913,033	120,246	-	-	-	(24,600,293)	-
<b>Total current assets</b>	<b>3,060,425</b>	<b>5,831,497</b>	<b>47,572,849</b>	<b>1,710,938</b>	<b>25,078,993</b>	<b>7,614,659</b>	<b>14,537,640</b>	<b>(24,600,293)</b>	<b>80,806,708</b>
Noncurrent assets:									
Restricted cash	-	-	-	-	1,551,186	-	-	-	1,551,186
Property and equipment, net	14,843,671	5,425,922	1,368,712	832,495	1,163,621	4,058,260	7,907	-	27,700,588
Investments, long-term	-	-	-	-	-	-	1,780,521	-	1,780,521
Note receivable, net of current portion	-	-	-	-	-	-	565,899	(310,736)	255,163
Other noncurrent assets	1,560	37,748	18,214	25,512	-	153,578	-	-	236,612
<b>Total noncurrent assets</b>	<b>14,845,231</b>	<b>5,463,670</b>	<b>1,386,926</b>	<b>858,007</b>	<b>2,714,807</b>	<b>4,211,838</b>	<b>2,354,327</b>	<b>(310,736)</b>	<b>31,524,070</b>
<b>Total assets</b>	<b>\$ 17,905,656</b>	<b>\$ 11,295,167</b>	<b>\$ 48,959,775</b>	<b>\$ 2,568,945</b>	<b>\$ 27,793,800</b>	<b>\$ 11,826,497</b>	<b>\$ 16,891,967</b>	<b>\$ (24,911,029)</b>	<b>\$ 112,330,778</b>

(Continued)

## Chimes International Limited and Related Entities

### Consolidating Statement of Financial Position (Continued)

June 30, 2021

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
<b>Liabilities and Net Assets</b>									
Current liabilities:									
Current maturities of long-term debt	\$ 92,733	\$ -	\$ -	\$ -	\$ 652,745	\$ 7,724	\$ -	\$ (92,733)	\$ 660,469
Accounts payable	906,820	297,931	4,924,259	47,035	2,459,616	2,240,414	-	-	10,876,075
Accrued expenses and other liabilities	2,767,188	2,427,982	6,541,040	390,825	7,588,452	1,806,362	3,250	-	21,525,099
Resident funds payable	584,297	-	-	86,890	-	82,938	-	-	754,125
Deferred revenue	-	-	-	-	-	32,162	-	-	32,162
Due to third-party payors	4,888,429	-	-	-	-	-	-	-	4,888,429
Due to related parties	-	7,098,847	-	-	12,032,785	3,070,424	2,398,237	(24,600,293)	-
Deferred payroll taxes	428,786	296,262	827,583	66,954	102,812	376,773	-	-	2,099,170
<b>Total current liabilities</b>	<b>9,668,253</b>	<b>10,121,022</b>	<b>12,292,882</b>	<b>591,704</b>	<b>22,836,410</b>	<b>7,616,797</b>	<b>2,401,487</b>	<b>(24,693,026)</b>	<b>40,835,529</b>
Long-term liabilities:									
Deferred rent	-	-	-	-	-	251,991	-	-	251,991
Interest rate swap	-	-	-	-	639,566	-	-	-	639,566
Mortgages and notes payable, net of current portion	-	-	-	-	8,516,758	142,759	-	-	8,659,517
Loans payable—related party	218,003	-	-	-	-	-	-	(218,003)	-
Deferred payroll taxes	428,786	296,262	827,582	66,954	102,814	376,773	-	-	2,099,171
<b>Total long-term liabilities</b>	<b>646,789</b>	<b>296,262</b>	<b>827,582</b>	<b>66,954</b>	<b>9,259,138</b>	<b>771,523</b>	<b>-</b>	<b>(218,003)</b>	<b>11,650,245</b>
<b>Total liabilities</b>	<b>10,315,042</b>	<b>10,417,284</b>	<b>13,120,464</b>	<b>658,658</b>	<b>32,095,548</b>	<b>8,388,320</b>	<b>2,401,487</b>	<b>(24,911,029)</b>	<b>52,485,774</b>
Net assets (deficit):									
Without donor restrictions:									
Undesignated	7,590,614	156,453	35,839,311	1,910,287	(4,301,748)	3,438,177	14,135,881	-	58,768,975
Board designated	-	721,430	-	-	-	-	-	-	721,430
	7,590,614	877,883	35,839,311	1,910,287	(4,301,748)	3,438,177	14,135,881	-	59,490,405
With donor restrictions									
	-	-	-	-	-	-	354,599	-	354,599
<b>Total net assets (deficit)</b>	<b>7,590,614</b>	<b>877,883</b>	<b>35,839,311</b>	<b>1,910,287</b>	<b>(4,301,748)</b>	<b>3,438,177</b>	<b>14,490,480</b>	<b>-</b>	<b>59,845,004</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,905,656</b>	<b>\$ 11,295,167</b>	<b>\$ 48,959,775</b>	<b>\$ 2,568,945</b>	<b>\$ 27,793,800</b>	<b>\$ 11,826,497</b>	<b>\$ 16,891,967</b>	<b>\$ (24,911,029)</b>	<b>\$ 112,330,778</b>

## Chimes International Limited and Related Entities

### Consolidating Statement of Activities Year Ended June 30, 2022

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
Revenue and other support:									
Behavioral health services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,152,503	\$ -	\$ -	\$ 33,152,503
Developmental disabilities services	34,078,944	27,460,727	-	5,950,524	-	-	-	-	67,490,195
Employment contractual services	-	-	105,129,494	-	-	-	-	(175,231)	104,954,263
Community support services	3,691,633	-	-	-	-	-	-	-	3,691,633
Administrative	767,929	58,032	-	377	160,061	39,047	-	(240,000)	785,446
Management fees	-	-	-	-	13,679,017	-	-	(13,679,017)	-
Donations and grants	-	-	-	-	-	-	1,079,054	-	1,079,054
Miscellaneous	296,519	-	11,995	-	-	31	-	-	308,545
Fundraising income, net of fundraising expenses of \$22,082	-	-	16,890	-	-	20,000	219,467	-	256,357
<b>Total revenue and other support</b>	<b>38,835,025</b>	<b>27,518,759</b>	<b>105,158,379</b>	<b>5,950,901</b>	<b>13,839,078</b>	<b>33,211,581</b>	<b>1,298,521</b>	<b>(14,094,248)</b>	<b>211,717,996</b>
Expenses:									
Program services:									
Mental health services	-	-	-	-	-	25,711,143	-	-	25,711,143
Developmental disabilities services	31,523,551	24,631,489	-	5,356,795	-	-	-	(338,331)	61,173,504
Employment contractual services	-	-	81,221,325	-	-	-	-	-	81,221,325
Grants	2,833,396	-	-	-	-	-	-	-	2,833,396
<b>Total program services</b>	<b>34,356,947</b>	<b>24,631,489</b>	<b>81,221,325</b>	<b>5,356,795</b>	<b>-</b>	<b>25,711,143</b>	<b>-</b>	<b>(338,331)</b>	<b>170,939,368</b>
Supporting services:									
Management and general	4,655,434	6,850,073	11,962,532	1,398,078	14,750,075	5,479,437	189,330	(13,770,864)	31,514,095
Fundraising expenses	-	-	-	-	-	-	286,334	-	286,334
<b>Total supporting services</b>	<b>4,655,434</b>	<b>6,850,073</b>	<b>11,962,532</b>	<b>1,398,078</b>	<b>14,750,075</b>	<b>5,479,437</b>	<b>475,664</b>	<b>(13,770,864)</b>	<b>31,800,429</b>
<b>Total expenses</b>	<b>39,012,381</b>	<b>31,481,562</b>	<b>93,183,857</b>	<b>6,754,873</b>	<b>14,750,075</b>	<b>31,190,580</b>	<b>475,664</b>	<b>(14,109,195)</b>	<b>202,739,797</b>
<b>Change in net assets before other income</b>	<b>(177,356)</b>	<b>(3,962,803)</b>	<b>11,974,522</b>	<b>(803,972)</b>	<b>(910,997)</b>	<b>2,021,001</b>	<b>822,857</b>	<b>14,947</b>	<b>8,978,199</b>
Other income:									
Investment income—net	-	-	-	-	-	-	(1,545,815)	(14,947)	(1,560,762)
Gain on sale of assets	3,000	-	11,726	58,715	-	10,000	-	-	83,441
Gain on interest rate swap	-	-	-	-	910,997	-	-	-	910,997
<b>Other income</b>	<b>3,000</b>	<b>-</b>	<b>11,726</b>	<b>58,715</b>	<b>910,997</b>	<b>10,000</b>	<b>(1,545,815)</b>	<b>(14,947)</b>	<b>(566,324)</b>
<b>Change in net assets</b>	<b>(174,356)</b>	<b>(3,962,803)</b>	<b>11,986,248</b>	<b>(745,257)</b>	<b>-</b>	<b>2,031,001</b>	<b>(722,958)</b>	<b>-</b>	<b>8,411,875</b>
Net assets (deficit):									
Beginning	7,590,614	877,883	35,839,311	1,910,287	(4,301,748)	3,438,177	14,490,480	-	59,845,004
Ending	\$ 7,416,258	\$ (3,084,920)	\$ 47,825,559	\$ 1,165,030	\$ (4,301,748)	\$ 5,469,178	\$ 13,767,522	\$ -	\$ 68,256,879

## Chimes International Limited and Related Entities

### Consolidating Statement of Activities Year Ended June 30, 2021

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chimes Foundation, Incorporated	Eliminations	Total
Revenue and other support:									
Behavioral health services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,539,897	\$ -	\$ -	\$ 30,539,897
Developmental disabilities services	33,608,014	25,999,553	-	5,057,404	-	-	-	-	64,664,971
Employment contractual services	-	-	100,227,008	-	-	-	-	(175,233)	100,051,775
Community support services	4,294,977	-	-	-	-	-	-	(592,646)	3,702,331
Administrative	-	673,471	9,890	124,702	321,788	244,162	-	(665,944)	708,069
Management fees	-	-	-	-	12,641,469	-	-	(12,641,469)	-
Donations and grants	-	-	-	-	-	-	140,449	-	140,449
Miscellaneous	249,501	-	4,739	-	-	23	-	-	254,263
Fundraising income, net of fundraising expenses of \$1,852	10,125	-	2,118	-	-	17,333	66,804	-	96,380
<b>Total revenue and other support</b>	<b>38,162,617</b>	<b>26,673,024</b>	<b>100,243,755</b>	<b>5,182,106</b>	<b>12,963,257</b>	<b>30,801,415</b>	<b>207,253</b>	<b>(14,075,292)</b>	<b>200,158,135</b>
Expenses:									
Program services:									
Mental health services	-	-	-	-	-	24,471,869	-	-	24,471,869
Developmental disabilities services	28,187,167	19,926,133	-	4,946,779	-	-	-	(342,408)	52,717,671
Employment contractual services	-	-	78,623,102	-	-	-	-	-	78,623,102
Grants	3,858,108	-	-	-	-	-	-	(1,018,591)	2,839,517
<b>Total program services</b>	<b>32,045,275</b>	<b>19,926,133</b>	<b>78,623,102</b>	<b>4,946,779</b>	<b>-</b>	<b>24,471,869</b>	<b>-</b>	<b>(1,360,999)</b>	<b>158,652,159</b>
Supporting services:									
Management and general	4,684,874	4,269,128	12,363,933	805,868	13,502,622	5,723,693	1,111,180	(12,733,316)	29,727,982
Fundraising expenses	-	-	-	-	-	-	112,433	-	112,433
<b>Total supporting services</b>	<b>4,684,874</b>	<b>4,269,128</b>	<b>12,363,933</b>	<b>805,868</b>	<b>13,502,622</b>	<b>5,723,693</b>	<b>1,223,613</b>	<b>(12,733,316)</b>	<b>29,840,415</b>
<b>Total expenses</b>	<b>36,730,149</b>	<b>24,195,261</b>	<b>90,987,035</b>	<b>5,752,647</b>	<b>13,502,622</b>	<b>30,195,562</b>	<b>1,223,613</b>	<b>(14,094,315)</b>	<b>188,492,574</b>
<b>Change in net assets before other income</b>	<b>1,432,468</b>	<b>2,477,763</b>	<b>9,256,720</b>	<b>(570,541)</b>	<b>(539,365)</b>	<b>605,853</b>	<b>(1,016,360)</b>	<b>19,023</b>	<b>11,665,561</b>
Other income (loss):									
Investment loss—net	-	-	-	-	-	-	2,581,289	(19,023)	2,562,266
Gain on sale of assets	-	-	-	-	-	194,656	-	-	194,656
Gain on interest rate swap	-	-	-	-	539,365	-	-	-	539,365
<b>Other income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>539,365</b>	<b>194,656</b>	<b>2,581,289</b>	<b>(19,023)</b>	<b>3,296,287</b>
<b>Change in net assets</b>	<b>1,432,468</b>	<b>2,477,763</b>	<b>9,256,720</b>	<b>(570,541)</b>	<b>-</b>	<b>800,509</b>	<b>1,564,929</b>	<b>-</b>	<b>14,961,848</b>
Net assets (deficit):									
Beginning	6,158,146	(1,599,880)	26,582,591	2,480,828	(4,301,748)	2,637,668	12,925,551	-	44,883,156
Ending	\$ 7,590,614	\$ 877,883	\$ 35,839,311	\$ 1,910,287	\$ (4,301,748)	\$ 3,438,177	\$ 14,490,480	\$ -	\$ 59,845,004



## Chimes International Limited and Related Entities

### Consolidating Schedule of Property and Equipment June 30, 2022

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chimes Foundation, Incorporated	Total
Land	\$ 2,885,305	\$ 880,048	\$ -	\$ -	\$ -	\$ 610,500	\$ 7,907	\$ 4,383,760
Buildings and improvements	29,690,836	4,984,381	-	149,387	487,886	4,121,947	-	39,434,437
Land improvements	395,061	7,600	-	4,400	19,807	-	-	426,868
Automobiles	3,754,449	825,885	2,798,337	578,327	84,841	1,133,584	-	9,175,423
Furnishings and equipment	5,602,365	2,055,122	3,373,206	365,642	9,674,133	2,788,739	-	23,859,207
Leasehold improvements	774,301	2,513,284	598,294	245,598	787,030	910,489	-	5,828,996
	43,102,317	11,266,320	6,769,837	1,343,354	11,053,697	9,565,259	7,907	83,108,691
Less accumulated depreciation	27,647,262	6,014,023	4,970,427	1,190,681	10,129,948	5,488,973	-	55,441,314
	<u>\$ 15,455,055</u>	<u>\$ 5,252,297</u>	<u>\$ 1,799,410</u>	<u>\$ 152,673</u>	<u>\$ 923,749</u>	<u>\$ 4,076,286</u>	<u>\$ 7,907</u>	<u>\$ 27,667,377</u>

## Chimes International Limited and Related Entities

### Consolidating Schedule of Property and Equipment June 30, 2021

	The Chimes, Inc. and Subsidiary	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited	Holcomb Associates, Inc.	Chimes Foundation, Incorporated	Total
Land	\$ 2,885,305	\$ 880,048	\$ -	\$ 155,053	\$ -	\$ 610,500	\$ 7,907	\$ 4,538,813
Buildings and improvements	28,733,052	4,914,730	-	777,501	-	4,117,347	-	38,542,630
Land improvements	345,722	7,600	-	10,720	19,807	-	-	383,849
Automobiles	3,723,275	825,885	2,281,345	578,327	84,841	1,104,045	-	8,597,718
Furnishings and equipment	5,020,808	1,873,673	3,895,487	346,960	10,006,509	2,748,002	-	23,891,439
Leasehold improvements	774,301	2,501,153	242,254	245,598	787,030	532,386	-	5,082,722
	41,482,463	11,003,089	6,419,086	2,114,159	10,898,187	9,112,280	7,907	81,037,171
Less accumulated depreciation	26,638,792	5,577,167	5,050,374	1,281,664	9,734,566	5,054,020	-	53,336,583
	\$ 14,843,671	\$ 5,425,922	\$ 1,368,712	\$ 832,495	\$ 1,163,621	\$ 4,058,260	\$ 7,907	\$ 27,700,588