

Chimes International Limited and Related Entities

Consolidated Financial Report
June 30, 2023

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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, 2023 and 2022, 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, 2023 and 2022, 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 (U.S. GAAP).

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.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP 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 January 29, 2024, 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
January 29, 2024

Chimes International Limited and Related Entities

Consolidated Statements of Financial Position June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 34,680,575	\$ 47,552,547
Accounts receivable, net	29,925,113	26,029,010
Resident funds	537,751	513,541
Prepaid expenses	1,626,483	976,233
Note receivable, current portion	18,885	18,623
Investments, current (Note 3)	10,717,469	11,370,995
Total current assets	77,506,276	86,460,949
Noncurrent assets:		
Restricted cash	2,671,733	2,439,077
Operating right-of-use assets, net (Note 9)	10,597,882	-
Finance right-of-use assets, net (Note 9)	2,768,622	-
Property and equipment, net (Note 2)	28,482,026	27,667,377
Investments, long-term (Note 3)	14,061,776	1,329,178
Note receivable, net of current portion	209,742	237,289
Interest rate swap (Note 6)	571,983	271,431
Other noncurrent assets	510,239	397,166
Total noncurrent assets	59,874,003	32,341,518
Total assets	\$ 137,380,279	\$ 118,802,467
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term debt (Note 5)	\$ 715,419	\$ 687,403
Accounts payable	10,665,871	14,649,762
Accrued expenses and other liabilities	21,670,518	20,430,016
Resident funds payable	537,751	513,541
Deferred revenue and refundable advances	751,296	997,933
Operating lease liabilities, current (Note 9)	1,767,561	-
Finance lease liabilities, current (Note 9)	818,188	-
Due to third-party payors (Note 11)	7,367,278	2,779,833
Deferred payroll taxes	-	2,162,809
Total current liabilities	44,293,882	42,221,297
Long-term liabilities:		
Deferred rent (Note 9)	-	352,177
Operating lease liabilities, noncurrent (Note 9)	9,273,914	-
Finance lease liabilities, noncurrent (Note 9)	1,932,316	-
Mortgages and notes payable, net of current portion (Note 5)	7,256,695	7,972,114
Total long-term liabilities	18,462,925	8,324,291
Total liabilities	62,756,807	50,545,588
Net assets:		
Without donor restrictions	70,610,627	66,448,439
With donor restrictions (Note 7)	4,012,845	1,808,440
Total net assets	74,623,472	68,256,879
Total liabilities and net assets	\$ 137,380,279	\$ 118,802,467

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

Consolidated Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Behavioral health services	\$ 34,927,613	\$ 2,485,502	\$ 37,413,115
Developmental disabilities services	77,927,584	-	77,927,584
Employment contractual services	105,361,879	-	105,361,879
Community support services	4,051,937	-	4,051,937
Administrative	3,408,390	-	3,408,390
Donations and grants	-	16,989	16,989
Miscellaneous	677,534	-	677,534
Fundraising income, net of direct fundraising expenses of \$44,472	890,906	-	890,906
Net assets released from restrictions (Note 7)	298,086	(298,086)	-
Total revenue and other support	227,543,929	2,204,405	229,748,334
Expenses:			
Program services:			
Mental health services	28,931,618	-	28,931,618
Developmental disabilities services	73,706,971	-	73,706,971
Employment contractual services	85,223,551	-	85,223,551
Grants	3,025,985	-	3,025,985
Total program services	190,888,125	-	190,888,125
Supporting services:			
Management and general	33,396,726	-	33,396,726
Fundraising expenses	846,434	-	846,434
Total supporting services	34,243,160	-	34,243,160
Total expenses	225,131,285	-	225,131,285
Change in net assets before other other income (loss)	2,412,644	2,204,405	4,617,049
Other income (loss):			
Investment income—net (Note 3)	1,364,844	-	1,364,844
Gain on sale of assets	84,148	-	84,148
Gain on interest rate swap (Note 6)	300,552	-	300,552
Other income (loss)	1,749,544	-	1,749,544
Change in net assets	4,162,188	2,204,405	6,366,593
Net assets:			
Beginning	66,448,439	1,808,440	68,256,879
Ending	\$ 70,610,627	\$ 4,012,845	\$ 74,623,472

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 direct fundraising expenses of \$22,082	256,357	-	256,357
Net assets released from restrictions (Note 7)	253,889	(253,889)	-
Total revenue and other support	210,264,155	1,453,841	211,717,996
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
Total program services	170,939,368	-	170,939,368
Supporting services:			
Management and general	31,514,095	-	31,514,095
Fundraising expenses	286,334	-	286,334
Total supporting services	31,800,429	-	31,800,429
Total expenses	202,739,797	-	202,739,797
Change in net assets before other other income (loss)	7,524,358	1,453,841	8,978,199
Other income (loss):			
Investment loss—net (Note 3)	(1,560,762)	-	(1,560,762)
Gain on sale of assets	83,441	-	83,441
Gain on interest rate swap (Note 6)	910,997	-	910,997
Other income (loss)	(566,324)	-	(566,324)
Change in net assets	6,958,034	1,453,841	8,411,875
Net assets:			
Beginning	59,490,405	354,599	59,845,004
Ending	\$ 66,448,439	\$ 1,808,440	\$ 68,256,879

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

Consolidated Statement of Functional Expenses Year Ended June 30, 2023 (With Comparative Totals for 2022)

	2023				2022					
	Mental Health Services	Developmental Disabilities Services	Employment Services	Grant	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 17,326,242	\$ 40,690,201	\$ 42,618,424	\$ 1,209,731	\$ 101,844,598	\$ 15,678,568	\$ -	\$ 15,678,568	\$ 117,523,166	\$ 99,491,679
Salaries overtime	921,396	6,471,248	732,474	84,162	8,209,280	38,866	-	38,866	8,248,146	6,771,579
Temporary labor	1,096,412	3,063,887	80,500	-	4,240,799	872,154	-	872,154	5,112,953	3,904,826
Client payroll	-	78,936	-	-	78,936	-	-	-	78,936	77,861
Fringe benefits (Note 8)	4,203,112	10,058,267	16,004,550	255,822	30,521,751	4,507,783	-	4,507,783	35,029,534	30,474,558
Consultants and contractual	28,798	944,973	60,274	35,480	1,069,525	2,748,007	87,500	2,835,507	3,905,032	4,719,054
Telephone	479,047	443,541	207,878	1,419	1,131,885	281,239	-	281,239	1,413,124	1,311,791
Office and other expenses	728,916	1,137,580	4,299,385	22,694	6,188,575	2,739,156	500,716	3,239,872	9,428,447	7,891,449
Vehicles, operation and travel	387,623	1,237,636	369,799	22,296	2,017,354	350,090	-	350,090	2,367,444	2,287,831
Building, equipment and furnishings	133,883	176,060	116,746	-	426,689	724,971	-	724,971	1,151,660	824,788
Repairs to furnishings and equipment	474,514	785,611	186,892	-	1,447,017	254,571	-	254,571	1,701,588	1,267,431
Housekeeping supplies	19,185	264,998	669	39	284,891	6,197	-	6,197	291,088	249,217
Contract maintenance and service contracts	-	916,980	15,490,776	468	16,408,224	1,503,212	78,346	1,581,558	17,989,782	21,879,136
Rent and interest expense (Notes 4, 5, 6 and 9)	2,167,350	2,148,623	88,741	-	4,404,714	1,302,970	-	1,302,970	5,707,684	4,422,819
Utilities	313,103	1,125,042	72,054	1,365	1,511,564	165,078	-	165,078	1,676,642	1,578,269
Client transportation	-	529,026	74,776	-	603,802	(4,226)	-	(4,226)	599,576	209,092
Supplemental expenses	-	1,949	-	-	1,949	-	-	-	1,949	1,889
Food	167,929	1,664,533	37	-	1,832,499	9,869	-	9,869	1,842,368	1,727,324
Disposable supplies	-	-	-	-	-	-	-	-	-	313
Kitchen and food service supplies	-	27,580	-	-	27,580	1,484	-	1,484	29,064	12,452
Training supplies and equipment	9,594	153,605	4,076,231	-	4,239,430	5,231	-	5,231	4,244,661	4,236,944
Medical supplies and equipment	3,195	70,453	-	-	73,648	17,024	-	17,024	90,672	328,901
Program activities	274,698	121,818	11	66	396,593	5,951	-	5,951	402,544	460,074
Purchase of services	-	83,385	-	1,390,259	1,473,644	99,501	-	99,501	1,573,145	1,591,278
Bad debt	942	-	-	-	942	1,376,686	179,872	1,556,558	1,557,500	3,815,512
Depreciation and amortization (Note 2)	195,679	1,511,039	743,334	2,184	2,452,236	712,344	-	712,344	3,164,580	3,203,730
Total	\$ 28,931,618	\$ 73,706,971	\$ 85,223,551	\$ 3,025,985	\$ 190,888,125	\$ 33,396,726	\$ 846,434	\$ 34,243,160	\$ 225,131,285	\$ 202,739,797

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

Consolidated Statement of Functional Expenses Year Ended June 30, 2022

	Mental Health Services	Developmental Disabilities Services	Employment Services	Grant	Total Program Services	Management and General	Fundraising	Total Supporting Services	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
Salaries overtime	649,762	5,621,878	421,755	6,815	6,700,210	71,369	-	71,369	6,771,579
Temporary labor	980,969	2,535,552	27,162	108	3,543,791	361,035	-	361,035	3,904,826
Client payroll	-	77,861	-	-	77,861	-	-	-	77,861
Fringe benefits (Note 8)	3,949,197	7,969,541	14,841,434	170,138	26,930,310	3,544,248	-	3,544,248	30,474,558
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
Telephone	396,328	453,705	203,875	2,090	1,055,998	255,793	-	255,793	1,311,791
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
Vehicle leases, operation and travel	314,318	1,291,076	333,903	7,624	1,946,921	340,910	-	340,910	2,287,831
Building, equipment and furnishings	97,834	99,514	233,420	-	430,768	394,020	-	394,020	824,788
Repairs to furnishings and equipment	330,607	648,645	130,957	173	1,110,382	157,049	-	157,049	1,267,431
Housekeeping supplies	28,076	220,795	47	299	249,217	-	-	-	249,217
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
Rent and interest expense (Notes 4, 5, 6 and 9)	1,940,025	1,316,487	29,808	-	3,286,320	1,136,499	-	1,136,499	4,422,819
Utilities	286,319	1,078,314	50,657	2,747	1,418,037	160,232	-	160,232	1,578,269
Client transportation	-	209,092	-	-	209,092	-	-	-	209,092
Supplemental expenses	-	1,889	-	-	1,889	-	-	-	1,889
Food	130,342	1,584,320	-	447	1,715,109	12,215	-	12,215	1,727,324
Disposable supplies	-	-	-	-	-	313	-	313	313
Kitchen and food service supplies	-	12,452	-	-	12,452	-	-	-	12,452
Training supplies and equipment	11,226	32,315	4,165,303	-	4,208,844	28,100	-	28,100	4,236,944
Medical supplies and equipment	1,411	84,245	-	40	85,696	243,205	-	243,205	328,901
Program activities	376,515	73,750	-	112	450,377	9,697	-	9,697	460,074
Purchase of services	-	4,224	-	1,587,054	1,591,278	-	-	-	1,591,278
Bad debt	1,908	1,058,058	-	-	1,059,966	2,656,405	99,141	2,755,546	3,815,512
Depreciation and amortization (Note 2)	108,455	1,309,266	868,082	2,186	2,287,989	915,741	-	915,741	3,203,730
Total	\$ 25,711,143	\$ 61,173,504	\$ 81,221,325	\$ 2,833,396	\$ 170,939,368	\$ 31,514,095	\$ 286,334	\$ 31,800,429	\$ 202,739,797

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

Consolidated Statements of Cash Flows Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 6,366,593	\$ 8,411,875
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of right-of-use assets	2,365,443	-
Depreciation	3,164,580	3,203,730
Increase (decrease) in allowance for doubtful accounts	452,406	(471,535)
Realized and unrealized (gain) loss on investments, net	(1,294,498)	1,659,585
Gain on interest rate swap	(300,552)	(910,997)
Gain on sale of land, buildings and equipment	(84,148)	(83,441)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(4,348,509)	855,531
Pledges receivable	-	75,427
Prepaid expenses	(650,250)	170,763
Other noncurrent assets	(113,073)	(160,554)
Increase (decrease) in:		
Accounts payable	(4,071,263)	3,247,075
Accrued expenses and other liabilities	1,240,502	(1,017,380)
Deferred rent	-	22,483
Operating lease liabilities	(1,692,985)	-
Due to third-party payors	4,587,445	(2,108,596)
Deferred revenue and refundable advances	(246,637)	965,771
Deferred payroll taxes	(2,162,809)	(2,035,532)
Net cash provided by operating activities	3,212,245	11,824,205
Cash flows from investing activities:		
Purchases of investments	(23,757,362)	(5,306,643)
Purchases of property and equipment	(4,057,621)	(3,281,466)
Proceeds from sales of property and equipment	249,912	721,000
Proceeds from sales of investments	12,972,788	2,092,521
Decrease in loans receivable	27,285	17,619
Net cash used in investing activities	(14,564,998)	(5,756,969)
Cash flows from financing activities:		
Principal payments on mortgages and notes payable	(687,403)	(660,469)
Payments on finance lease obligations	(599,160)	-
Net cash used in financing activities	(1,286,563)	(660,469)
Net (decrease) increase in cash and cash equivalents	(12,639,316)	5,406,767
Cash and cash equivalents (including restricted cash):		
Beginning	49,991,624	44,584,857
Ending	\$ 37,352,308	\$ 49,991,624
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 415,617	\$ 363,389
Supplemental schedule of noncash activities:		
Fixed asset purchases included in accounts payable	\$ 87,372	\$ 526,612

(Continued)

Chimes International Limited and Related Entities

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023	2022
Supplemental cash flow information related to leases is as follows:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 1,692,985	\$ -
Financing cash outflows—payments on finance leases	599,160	-
Total cash paid for amounts included in measurement of lease liabilities	\$ 2,292,145	\$ -
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 12,382,283	\$ -
Finance leases	3,349,664	-
Total right-of-use assets obtained	\$ 15,731,947	\$ -
Lease liability:		
Operating leases	\$ 12,734,460	\$ -
Finance leases	3,349,664	-
Total lease liability incurred	\$ 16,084,124	\$ -
Deferred rent liability prior year	\$ 352,177	\$ -

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

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

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.

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, 2023 and 2022, was \$1,925,109 and \$1,472,703, respectively. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received.

Pledges receivable: Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are 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 Organization had no net pledges receivable at June 30, 2023 and 2022.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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

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.

Leases: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases.

The Organization elected the package of practical expedients under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the hindsight practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of \$12,382,283 and \$12,734,460, respectively, and finance leases of \$3,349,664 and \$3,349,664, respectively, at July 1, 2022. The adoption of the new lease standard did not materially impact the consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

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.

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.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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

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 \$1,200,000 and \$1,042,912 as of June 30, 2023 and 2022, 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, 2023 and 2022, cash reserves held in a separate account amount to \$2,671,733 and \$2,439,077, respectively. The Organization's liabilities under the self-insured plan amounted to \$2,662,756 and \$3,402,264 for the years ended June 30, 2023 and 2022, 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.

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

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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

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.

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 U.S GAAP. 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 (IRC) and are not considered private foundations. None of the Organization's activities are subject to the tax on unrelated business income.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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

The accounting standard on accounting for uncertainty in income taxes (FASB ASC Topic 740-10) addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustments to the consolidated financial statements to comply with provisions of this guidance.

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.

Recently adopted accounting pronouncements: On September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU is intended to increase the transparency of contributed nonfinancial assets, or gifts-in-kind, for not-for-profit entities through enhanced presentation and disclosure. The adoption resulted in expanded disclosures around contributed nonfinancial assets. The Organization adopted this pronouncement as of July 1, 2022; however, there was no material impact on the consolidated financial statements.

Pending accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. ASU 2016-13 is effective for the Organization as of July 1, 2023. The Organization is currently in the process of evaluating the impact of the new accounting guidance on its consolidated financial statements.

Reclassifications: Certain items in the June 30, 2022, consolidated financial statements have been reclassified to conform to the June 30, 2023, 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 January 29, 2024, 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, 2023 and 2022, are as follows:

	2023	2022
Land	\$ 4,387,260	\$ 4,383,760
Buildings and improvements	40,923,035	39,434,437
Land improvements	869,540	426,868
Automobiles	9,477,933	9,175,423
Furnishings and equipment	25,340,978	23,859,207
Leasehold improvements	5,628,698	5,828,996
	<u>86,627,444</u>	<u>83,108,691</u>
Less accumulated depreciation	(58,145,418)	(55,441,314)
	<u>\$ 28,482,026</u>	<u>\$ 27,667,377</u>

Depreciation on these assets for the years ended June 30, 2023 and 2022, was \$3,164,580 and \$3,203,730, 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, 2023 and 2022, are as follows:

	2023		2022	
	Cost	Market Value	Cost	Market Value
Corporate bonds	\$ 3,017,887	\$ 2,956,466	\$ 4,598,210	\$ 4,566,756
Government bonds	12,173,898	12,153,952	552,677	543,679
Common stocks	2,281,094	3,128,347	1,925,278	2,275,232
Mutual funds	3,523,611	6,540,480	3,140,557	5,215,611
Certificates of deposit	-	-	47,666	98,895
	<u>\$ 20,996,490</u>	<u>\$ 24,779,245</u>	<u>\$ 10,264,388</u>	<u>\$ 12,700,173</u>

The following schedule summarizes the investment income (loss) and its classification in the consolidated statements of activities for the years ended June 30, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income, net of fees	\$ 70,346	\$ -	\$ 70,346
Realized and unrealized gain—net	1,294,498	-	1,294,498
	<u>\$ 1,364,844</u>	<u>\$ -</u>	<u>\$ 1,364,844</u>

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income, net of fees	\$ 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>

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, 2023 and 2022.

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.

Corporate and government bonds: Bonds relate to treasury curve and the spread of the treasury curve. Valued at the closing price reported on the active market in which the individual securities are traded.

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 sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of:

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks	\$ 3,128,347	\$ -	\$ -	\$ 3,128,347
Mutual funds:				
Large value	378,882	-	-	378,882
Large blend	6,161,598	-	-	6,161,598
Corporate bonds	2,956,466	-	-	2,956,466
Government bonds	12,153,952	-	-	12,153,952
Total investments	<u>\$ 24,779,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,779,245</u>
Interest rate swap agreements	\$ -	\$ 571,983	\$ -	\$ 571,983
Liabilities:				
Assets:				
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>\$ 12,601,278</u>	<u>\$ 98,895</u>	<u>\$ -</u>	<u>\$ 12,700,173</u>
Interest rate swap agreements	\$ -	\$ 271,431	\$ -	\$ 271,431

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. At June 30, 2022, the consolidated line of credit accrued interest at the one-month London Interbank Offered Rate (LIBOR) plus 175 basis points (4.04% at June 30, 2022). As of October 20, 2022, the consolidated line of credit bears interest at the one-month Secured Overnight Funding Rate (SOFR) plus 175 basis points (6.82% at June 30, 2023). The consolidated line of credit was renewed in September 2020, and is scheduled to mature on March 31, 2025. There was no outstanding balance for the consolidated line of credit as of June 30, 2023 and 2022. 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. At June 30, 2022, the loan accrued interest at the one-month LIBOR plus 175 basis points (4.04% at June 30, 2022). As of October 20, 2022, the loan bears interest at the one-month SOFR plus 175 basis points (6.82% at June 30, 2023). The loan is scheduled to expire March 31, 2025. There was no outstanding balance at June 30, 2023 and 2022.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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. At June 30, 2022, the note accrued interest at the one-month LIBOR plus 175 basis points (4.04% at June 30, 2022). As of October 20, 2022, the loan bears interest at the one-month SOFR plus 175 basis points (6.82% at June 30, 2023), and matures on October 20, 2032. The outstanding balance of this loan was \$7,838,085 and \$8,517,570 as of June 30, 2023 and 2022, 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 \$134,029 and \$141,947 as of June 30, 2023 and 2022, respectively.

Payments of principal during the next five years and thereafter as of June 30, 2023, are as follows:

Years ending June 30:	
2024	\$ 715,419
2025	744,609
2026	774,973
2027	806,576
2028	839,457
Thereafter	4,091,080
	<u>\$ 7,972,114</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 Truist Bank in the initial notional amount of \$10,400,000, and a maturity date of October 20, 2032. This swap agreement requires payment of a fixed rate of approximately 3.95%, and the receipt of a variable rate of interest at a rate of 6.84% under SOFR at June 30, 2023, and 3.35% under LIBOR at June 30, 2022, respectively, on the notional amount of indebtedness. The recorded fair value of the interest rate swap was an asset of \$571,983 and \$271,431 as of June 30, 2023 and 2022, respectively, resulting in a gain on interest rate swap of \$300,552 and \$910,997 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, changes in net assets with donor restrictions were as follows:

	2023			
	Balance	Additions	Releases	Balance
	June 30, 2022			June 30, 2023
Subject to expenditure for a specific purpose or period:				
Tina Hyatt Fund	\$ 293,153	\$ 16,989	\$ -	\$ 310,142
Chimes Metro Millsboro	26,817	-	(18,857)	7,960
Chimes Maryland (Safeway)	4,824	-	(2,593)	2,231
Holcomb Clubhouse	1,500	-	-	1,500
Holcomb recruiting and retention for employees	1,482,146	2,485,502	(276,636)	3,691,012
	<u>\$ 1,808,440</u>	<u>\$ 2,502,491</u>	<u>\$ (298,086)</u>	<u>\$ 4,012,845</u>
	2022			
	Balance	Additions	Releases	Balance
	June 30, 2021			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>

Note 8. 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, 2023 and 2022, was \$1,963,904 and \$2,216,860, 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.

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.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 9. Leases

The Organization leases certain office space, equipment, and vehicles with remaining lease terms of less than one year to 15 years. Some leases include one or more options to renew, with renewal terms that can extend the lease term up to 10 years. Only lease options that the Organization believes are reasonably certain to exercise or the renewal option rests with the lessor are included in the measurement of the lease assets and liabilities. Some leases contain various termination clauses. These termination options are not expected to be exercised.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Amortization of finance lease ROU assets	\$ 581,042
Interest on finance lease liabilities	76,832
Amortization of operating lease ROU assets	1,784,401
Interest on operating lease liabilities	361,825
Variable lease costs and short term leases	2,903,584
	<u>\$ 5,707,684</u>

Rent expense for the year ended June 30, 2022, was \$3,546,038.

Supplemental information regarding assumptions and cash flows for the operating leases is as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases (i.e., interest)	\$ 76,832
Financing cash flows from finance leases (i.e., principal portion)	599,160
Operating cash flows from operating leases	1,692,985
ROU assets obtained in exchange for new finance lease liabilities	3,349,664
ROU assets obtained in exchange for new operating lease liabilities, net deferred rent	12,382,283

The weighted-average remaining lease terms and discount rates for operating leases are as follows as of June 30, 2023:

Weighted-average remaining lease term for finance leases	3.87 years
Weighted-average remaining lease term for operating leases	8.06 years
Weighted-average discount rate for finance leases	3.89%
Weighted-average discount rate for operating leases	2.97%

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 9. Leases (Continued)

As of June 30, 2023, maturities of lease liabilities were as follows:

	Finance	Operating
Years ending June 30:		
2024	\$ 905,072	\$ 2,066,573
2025	787,635	2,035,060
2026	693,415	1,643,010
2027	449,570	1,386,389
2028	106,037	1,122,063
Thereafter	-	4,255,799
Total lease payments	2,941,729	12,508,894
Less: present value discount	(191,225)	(1,467,419)
Present value of lease liabilities	<u>\$ 2,750,504</u>	<u>\$ 11,041,475</u>

The Organization's lease agreement for its administrative office has a provision for rent payments with fixed annual increases. In accordance with U.S. GAAP prior to the adoption of Topic ASC 842, the total rent commitment should have been 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 financial statement purposes was recorded as deferred rent. The balance of deferred rent was \$352,177 as of June 30, 2022. The deferred rent amount was amortized as an offset to rent expense over the lease term. In connection with the adoption of Topic 842, as of July 1, 2022, deferred rent was reclassified as a reduction to the related ROU assets.

As of June 30, 2022, future minimum lease commitments, as determined under Topic 840, for all noncancelable leases were as follows:

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>

Note 10. 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, 2023 and 2022, totaled \$3,711,380 and \$3,531,495, respectively.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 10. Commitments and Contingencies (Continued)

The Organization acts as an agent on behalf of individuals served regarding the holding of client cash funds. At June 30, 2023 and 2022, the Organization was holding \$537,751 and \$513,541, 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, 2023 and 2022, three letters of credit to ensure payment for workers' compensation insurance totaled \$2,416,800. These letters of credit are issued under the \$15,300,000 credit facility from Truist Bank for International.

Note 11. Due From/to Third-Party Payors

Revenue is recognized from federal and state grants and reimbursement for services is provided by state agencies based on per diem rates. Subsequent to year-end, regulatory reports are submitted and final determinations are made regarding over or underpayments. Amounts due to third-party payors include monies the Organization received in excess of federal or state grant funds. Organization's total amount due to third-party payors as of June 30, 2023 and 2022, was \$7,367,272 and \$2,779,833, respectively.

Receivables from government agencies represent billings, grant and reimbursements (overpayments) associated with various programs.

Note 12. 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:

	2023	2022
Cash and cash equivalents	\$ 34,680,575	\$ 47,552,547
Restricted cash	2,671,733	2,439,077
Accounts receivable, net	29,925,113	26,029,010
Investments	24,779,245	12,700,173
Note receivable	228,627	255,912
	<u>92,285,293</u>	<u>88,976,719</u>
Less due to third-party payors	(7,367,272)	(2,779,833)
Less long-term investments	(14,061,776)	(1,329,178)
Less long-term portion of note receivable	(209,742)	(237,289)
Less those unavailable for general expenditures within one year, due to:		
Restrictions by donors	(4,012,845)	(1,808,440)
Restricted cash	(2,671,733)	(2,439,077)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 63,961,925</u>	<u>\$ 80,382,902</u>

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 13. Subsequent Events

Effective September 1, 2023 through October 6, 2023, the Organization entered into three operating leases for office space and equipment. The leases have initial terms of one to six years and provide for renewal options of one to five years. The lease agreements also provide for annual rent escalations, which are amortized over the lives of the respective leases. Future minimum lease payments under these agreements approximate \$2,399,000. The equipment lease also includes minimum monthly service fees for a term of five years which approximate a total of \$2,007,000.



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, 2023 and 2022, and have issued our report thereon, dated January 29, 2024, 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
January 29, 2024

Chimes International Limited and Related Entities

Consolidating Statement of Financial Position June 30, 2023

	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
Assets									
Current assets:									
Cash and cash equivalents	\$ 8,433	\$ 80,346	\$ 12,130,310	\$ 2,540	\$ 13,885,776	\$ 5,329,213	\$ 3,243,957	\$ -	\$ 34,680,575
Accounts receivable, net	1,753,177	2,163,524	21,526,097	893,201	397,394	3,168,350	23,370	-	29,925,113
Resident funds	376,894	-	-	90,211	-	70,646	-	-	537,751
Prepaid expenses	202,185	194,051	20,276	52,060	595,753	546,721	15,437	-	1,626,483
Note receivable, current portion	-	-	-	-	-	-	18,885	-	18,885
Investments, current	-	-	-	-	10,000,000	-	717,469	-	10,717,469
Due from related parties	-	-	30,944,003	830,681	-	1,376,904	-	(33,151,588)	-
Total current assets	2,340,689	2,437,921	64,620,686	1,868,693	24,878,923	10,491,834	4,019,118	(33,151,588)	77,506,276
Noncurrent assets:									
Restricted cash	-	-	-	-	2,671,733	-	-	-	2,671,733
Operating right-of-use assets, net	2,133,573	805,186	-	972,337	306,081	6,380,705	-	-	10,597,882
Finance right-of-use assets, net	1,701,384	218,689	267,235	221,969	158,610	200,735	-	-	2,768,622
Property and equipment, net	16,060,441	5,048,781	1,839,910	151,638	1,313,468	4,059,881	7,907	-	28,482,026
Investments, long-term	-	-	-	-	-	-	14,061,776	-	14,061,776
Note receivable, net of current portion	-	-	-	-	-	-	335,573	(125,831)	209,742
Interest rate swap	-	-	-	-	571,983	-	-	-	571,983
Other noncurrent assets	10,284	41,241	8,460	37,962	248,222	164,070	-	-	510,239
Total noncurrent assets	19,905,682	6,113,897	2,115,605	1,383,906	5,270,097	10,805,391	14,405,256	(125,831)	59,874,003
Total assets	\$ 22,246,371	\$ 8,551,818	\$ 66,736,291	\$ 3,252,599	\$ 30,149,020	\$ 21,297,225	\$ 18,424,374	\$ (33,277,419)	\$ 137,380,279

(Continued)

Chimes International Limited and Related Entities

Consolidating Statement of Financial Position (Continued) June 30, 2023

	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
Liabilities and Net Assets									
Current liabilities:									
Current maturities of long-term debt	\$ 83,385	\$ -	\$ -	\$ -	\$ 707,016	\$ 8,403	\$ -	\$ (83,385)	\$ 715,419
Accounts payable	837,023	(46,140)	4,789,629	59,905	2,955,621	1,979,433	90,400	-	10,665,871
Accrued expenses and other liabilities	3,064,771	2,811,494	6,278,730	493,603	6,442,766	2,516,811	62,343	-	21,670,518
Resident funds payable	376,894	-	-	90,211	-	70,646	-	-	537,751
Deferred revenue and refundable advances	1,076	-	-	-	-	750,220	-	-	751,296
Operating lease liabilities, current	95,932	355,372	-	244,217	87,057	984,983	-	-	1,767,561
Finance lease liabilities, current	492,950	58,451	73,905	49,229	69,866	73,787	-	-	818,188
Due to third-party payors	7,367,278	-	-	-	-	-	-	-	7,367,278
Due to related parties	3,171,445	10,075,457	-	-	16,748,338	-	3,156,348	(33,151,588)	-
Total current liabilities	15,490,754	13,254,634	11,142,264	937,165	27,010,664	6,384,283	3,309,091	(33,234,973)	44,293,882
Long-term liabilities:									
Operating lease liabilities, noncurrent	2,168,600	461,832	-	736,057	223,250	5,684,175	-	-	9,273,914
Finance lease liabilities, noncurrent	1,193,664	159,740	191,739	174,373	86,456	126,344	-	-	1,932,316
Mortgages and notes payable, net of current portion	-	-	-	-	7,130,398	126,297	-	-	7,256,695
Loans payable—related party	42,446	-	-	-	-	-	-	(42,446)	-
Total long-term liabilities	3,404,710	621,572	191,739	910,430	7,440,104	5,936,816	-	(42,446)	18,462,925
Total liabilities	18,895,464	13,876,206	11,334,003	1,847,595	34,450,768	12,321,099	3,309,091	(33,277,419)	62,756,807
Net assets (deficit):									
Without donor restrictions	3,350,907	(5,324,388)	55,402,288	1,405,004	(4,301,748)	8,976,126	11,102,438	-	70,610,627
With donor restrictions	-	-	-	-	-	-	4,012,845	-	4,012,845
Total net assets (deficit)	3,350,907	(5,324,388)	55,402,288	1,405,004	(4,301,748)	8,976,126	15,115,283	-	74,623,472
Total liabilities and net assets	\$ 22,246,371	\$ 8,551,818	\$ 66,736,291	\$ 3,252,599	\$ 30,149,020	\$ 21,297,225	\$ 18,424,374	\$ (33,277,419)	\$ 137,380,279

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
Assets									
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)	-
Total current assets	1,472,723	2,995,814	61,940,528	1,594,380	27,323,121	9,185,358	14,576,303	(32,627,278)	86,460,949
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
Total noncurrent assets	15,464,818	5,290,878	1,824,328	177,206	3,774,257	4,235,657	1,790,596	(216,222)	32,341,518
Total assets	\$ 16,937,541	\$ 8,286,692	\$ 63,764,856	\$ 1,771,586	\$ 31,097,378	\$ 13,421,015	\$ 16,366,899	\$ (32,843,500)	\$ 118,802,467

(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
Liabilities and Net Assets									
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	2,412,046	2,179,617	6,367,111	400,914	7,052,069	1,996,094	22,165	-	20,430,016
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
Total current liabilities	9,323,509	11,371,612	15,939,297	606,556	27,561,041	7,543,334	2,599,377	(32,723,429)	42,221,297
Long-term liabilities:									
Deferred rent	77,703	-	-	-	-	274,474	-	-	352,177
Mortgages and notes payable, net of current portion	-	-	-	-	7,838,085	134,029	-	-	7,972,114
Loans payable—related party	120,071	-	-	-	-	-	-	(120,071)	-
Total long-term liabilities	197,774	-	-	-	7,838,085	408,503	-	(120,071)	8,324,291
Total liabilities	9,521,283	11,371,612	15,939,297	606,556	35,399,126	7,951,837	2,599,377	(32,843,500)	50,545,588
Net assets (deficit):									
Without donor restrictions	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
Total net assets (deficit)	7,416,258	(3,084,920)	47,825,559	1,165,030	(4,301,748)	5,469,178	13,767,522	-	68,256,879
Total liabilities and net assets	\$ 16,937,541	\$ 8,286,692	\$ 63,764,856	\$ 1,771,586	\$ 31,097,378	\$ 13,421,015	\$ 16,366,899	\$ (32,843,500)	\$ 118,802,467

Chimes International Limited and Related Entities

Consolidating Statement of Activities Year Ended June 30, 2023

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,413,115	\$ -	\$ -	\$ 37,413,115
Developmental disabilities services	36,549,644	33,957,216	-	7,420,724	-	-	-	-	77,927,584
Employment contractual services	-	-	105,361,879	-	-	-	-	-	105,361,879
Community support services	4,051,937	-	-	-	-	-	-	-	4,051,937
Administrative	715,959	625,749	-	74,752	-	1,991,930	-	-	3,408,390
Management fees	-	-	-	-	15,565,297	-	-	(15,565,297)	-
Donations and grants	-	-	-	-	-	-	16,989	-	16,989
Miscellaneous	315,713	-	25,192	-	125,608	362	210,659	-	677,534
Fundraising income, net of direct fundraising expenses, of \$44,472	-	-	5,586	-	(6)	-	885,326	-	890,906
Total revenue and other support	41,633,253	34,582,965	105,392,657	7,495,476	15,690,899	39,405,407	1,112,974	(15,565,297)	229,748,334
Expenses:									
Program services:									
Mental health services	-	-	-	-	-	28,931,618	-	-	28,931,618
Developmental disabilities services	37,155,816	30,679,702	-	5,871,453	-	-	-	-	73,706,971
Employment contractual services	-	-	85,223,551	-	-	-	-	-	85,223,551
Grants	3,025,985	-	-	-	-	-	-	-	3,025,985
Total program services	40,181,801	30,679,702	85,223,551	5,871,453	-	28,931,618	-	-	190,888,125
Supporting services:									
Management and general	5,531,394	6,144,188	12,660,477	1,384,049	15,991,451	6,966,841	283,623	(15,565,297)	33,396,726
Fundraising expenses	-	-	-	-	-	-	846,434	-	846,434
Total supporting services	5,531,394	6,144,188	12,660,477	1,384,049	15,991,451	6,966,841	1,130,057	(15,565,297)	34,243,160
Total expenses	45,713,195	36,823,890	97,884,028	7,255,502	15,991,451	35,898,459	1,130,057	(15,565,297)	225,131,285
Change in net assets before other income	(4,079,942)	(2,240,925)	7,508,629	239,974	(300,552)	3,506,948	(17,083)	-	4,617,049
Other income:									
Investment income—net	-	-	-	-	-	-	1,364,844	-	1,364,844
Gain on sale of assets	14,591	1,457	68,100	-	-	-	-	-	84,148
Gain on interest rate swap	-	-	-	-	300,552	-	-	-	300,552
Other income	14,591	1,457	68,100	-	300,552	-	1,364,844	-	1,749,544
Change in net assets	(4,065,351)	(2,239,468)	7,576,729	239,974	-	3,506,948	1,347,761	-	6,366,593
Net assets (deficit):									
Beginning	7,416,258	(3,084,920)	47,825,559	1,165,030	(4,301,748)	5,469,178	13,767,522	-	68,256,879
Ending	\$ 3,350,907	\$ (5,324,388)	\$ 55,402,288	\$ 1,405,004	\$ (4,301,748)	\$ 8,976,126	\$ 15,115,283	\$ -	\$ 74,623,472

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 direct fundraising expenses of \$22,082	-	-	16,890	-	-	20,000	219,467	-	256,357
Total revenue and other support	38,835,025	27,518,759	105,158,379	5,950,901	13,839,078	33,211,581	1,298,521	(14,094,248)	211,717,996
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
Total program services	34,356,947	24,631,489	81,221,325	5,356,795	-	25,711,143	-	(338,331)	170,939,368
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
Total supporting services	4,655,434	6,850,073	11,962,532	1,398,078	14,750,075	5,479,437	475,664	(13,770,864)	31,800,429
Total expenses	39,012,381	31,481,562	93,183,857	6,754,873	14,750,075	31,190,580	475,664	(14,109,195)	202,739,797
Change in net assets before other income (loss)	(177,356)	(3,962,803)	11,974,522	(803,972)	(910,997)	2,021,001	822,857	14,947	8,978,199
Other income (loss):									
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
Other income (loss)	3,000	-	11,726	58,715	910,997	10,000	(1,545,815)	(14,947)	(566,324)
Change in net assets	(174,356)	(3,962,803)	11,986,248	(745,257)	-	2,031,001	(722,958)	-	8,411,875
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 Schedule of Property and Equipment June 30, 2023

	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	\$ -	\$ -	\$ -	\$ 614,000	\$ 7,907	\$ 4,387,260
Buildings and improvements	31,259,386	5,047,165	257,147	149,387	-	4,209,950	-	40,923,035
Land improvements	474,983	14,220	-	4,400	375,937	-	-	869,540
Automobiles	3,517,913	937,008	3,065,556	578,327	143,432	1,235,697	-	9,477,933
Furnishings and equipment	5,705,072	2,131,330	3,838,518	383,799	10,411,658	2,870,601	-	25,340,978
Leasehold improvements	774,301	2,515,059	282,854	245,598	787,030	1,023,856	-	5,628,698
	44,616,960	11,524,830	7,444,075	1,361,511	11,718,057	9,954,104	7,907	86,627,444
Less accumulated depreciation	28,556,519	6,476,049	5,604,165	1,209,873	10,404,589	5,894,223	-	58,145,418
	<u>\$ 16,060,441</u>	<u>\$ 5,048,781</u>	<u>\$ 1,839,910</u>	<u>\$ 151,638</u>	<u>\$ 1,313,468</u>	<u>\$ 4,059,881</u>	<u>\$ 7,907</u>	<u>\$ 28,482,026</u>

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>