

Chimes International Limited and Related Entities

Consolidated Financial Report
June 30, 2024

Contents

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

Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of functional expenses	6-7
Consolidated statements of cash flows	8-9
Notes to consolidated financial statements	10-23

Independent auditor's report on the supplementary information	24
---	----

Supplementary information	
Consolidating statements of financial position	25-28
Consolidating statements of activities	29-30
Consolidating schedules of property and equipment	31-32

Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	33-34
---	-------

Financial statement findings	35
Corrective action plan	36-37

Independent Auditor's Report

Board of Directors
Chimes International Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Chimes International Limited and Related Entities (the Organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, 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, 2024 and 2023, 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 audits 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 December 20, 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
December 20, 2024

Chimes International Limited and Related Entities

Consolidated Statements of Financial Position June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,392,840	\$ 34,680,575
Accounts receivable, net of credit losses	28,072,457	29,925,113
Resident funds	382,556	537,751
Prepaid expenses	1,291,293	1,626,483
Note receivable, current portion	18,885	18,885
Investments, current (Note 3)	16,457,424	10,717,469
Total current assets	83,615,455	77,506,276
Noncurrent assets:		
Restricted cash	2,934,232	2,671,733
Operating right-of-use assets, net (Note 9)	10,433,335	10,597,882
Finance right-of-use assets, net (Note 9)	3,054,279	2,768,622
Property and equipment, net (Note 2)	30,365,115	28,482,026
Investments, long-term (Note 3)	16,011,718	14,061,776
Note receivable, net of current portion	189,884	209,742
Interest rate swap (Note 6)	529,597	571,983
Other noncurrent assets	376,730	510,239
Total noncurrent assets	63,894,890	59,874,003
Total assets	\$ 147,510,345	\$ 137,380,279
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term debt (Note 5)	\$ 744,609	\$ 715,419
Accounts payable	7,588,963	8,830,288
Accrued expenses and other liabilities	23,956,164	21,670,518
Resident funds payable	382,556	537,751
Deferred revenue and refundable advances	1,076	751,296
Operating lease liabilities, current (Note 9)	2,077,638	1,767,561
Finance lease liabilities, current (Note 9)	1,190,478	818,188
Due to third-party payors (Note 11)	10,293,166	9,202,861
Total current liabilities	46,234,650	44,293,882
Long-term liabilities:		
Operating lease liabilities, noncurrent (Note 9)	8,903,760	9,273,914
Finance lease liabilities, noncurrent (Note 9)	1,787,656	1,932,316
Mortgages and notes payable, net of current portion (Note 5)	6,512,086	7,256,695
Total long-term liabilities	17,203,502	18,462,925
Total liabilities	63,438,152	62,756,807
Net assets:		
Without donor restrictions	80,598,004	70,610,627
With donor restrictions (Note 7)	3,474,189	4,012,845
Total net assets	84,072,193	74,623,472
Total liabilities and net assets	\$ 147,510,345	\$ 137,380,279

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

Consolidated Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Behavioral health services	\$ 37,548,571	\$ 70,000	\$ 37,618,571
Developmental disabilities services	94,421,689	2,554	94,424,243
Employment contractual services	115,661,646	-	115,661,646
Community support services	2,986,160	-	2,986,160
Administrative	493,732	-	493,732
Donations and grants	-	13,633	13,633
Miscellaneous	1,244,705	-	1,244,705
Fundraising income, net of direct fundraising expenses of \$64,000	775,682	-	775,682
Net assets released from restrictions (Note 7)	624,843	(624,843)	-
Total revenue and other support	253,757,028	(538,656)	253,218,372
Expenses:			
Program services:			
Mental health services	30,085,640	-	30,085,640
Developmental disabilities services	80,491,424	-	80,491,424
Employment contractual services	94,713,299	-	94,713,299
Grants	3,185,855	-	3,185,855
Total program services	208,476,218	-	208,476,218
Supporting services:			
Management and general	36,585,063	-	36,585,063
Fundraising expenses	618,800	-	618,800
Total supporting services	37,203,863	-	37,203,863
Total expenses	245,680,081	-	245,680,081
Change in net assets before other other income (loss)	8,076,947	(538,656)	7,538,291
Other income (loss):			
Investment income—net (Note 3)	1,754,335	-	1,754,335
Gain on sale of assets	198,481	-	198,481
Loss on interest rate swap (Note 6)	(42,386)	-	(42,386)
Other income (loss)	1,910,430	-	1,910,430
Change in net assets	9,987,377	(538,656)	9,448,721
Net assets:			
Beginning	70,610,627	4,012,845	74,623,472
Ending	\$ 80,598,004	\$ 3,474,189	\$ 84,072,193

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 Functional Expenses Year Ended June 30, 2024 (With Comparative Totals for 2023)

	2024							2023		
	Behavioral Health Services	Developmental Disabilities Services	Employment Services	Grant	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 18,534,849	\$ 44,832,413	\$ 45,792,724	\$ 1,388,735	\$ 110,548,721	\$ 17,527,696	\$ -	\$ 17,527,696	\$ 128,076,417	\$ 117,523,166
Salaries overtime	1,039,315	7,220,647	645,251	142,442	9,047,655	53,065	-	53,065	9,100,720	8,248,146
Temporary labor	512,036	2,955,027	236,222	-	3,703,285	774,855	-	774,855	4,478,140	5,112,953
Client payroll	-	128,143	-	-	128,143	-	-	-	128,143	78,936
Fringe benefits (Note 8)	4,191,206	10,437,478	16,731,046	289,200	31,648,930	4,825,350	-	4,825,350	36,474,280	35,029,534
Consultants and contractual	11,830	1,155,272	117,448	24,550	1,309,100	2,818,842	38,256	2,857,098	4,166,198	3,905,032
Telephone	460,102	429,329	203,476	1,294	1,094,201	258,551	-	258,551	1,352,752	1,413,124
Office and other expenses	1,114,006	1,575,981	4,690,480	25,401	7,405,868	4,034,802	343,526	4,378,328	11,784,196	9,428,447
Vehicles, operation and travel	396,650	1,274,687	416,334	24,657	2,112,328	353,629	-	353,629	2,465,957	2,367,444
Building, equipment and furnishings	331,210	157,208	189,478	-	677,896	430,396	-	430,396	1,108,292	1,151,660
Repairs to furnishings and equipment	456,974	1,050,481	248,631	-	1,756,086	385,944	-	385,944	2,142,030	1,701,588
Housekeeping supplies	28,972	313,622	651	537	343,782	15,266	-	15,266	359,048	291,088
Contract maintenance and service contracts	-	1,067,037	20,592,183	362	21,659,582	804,763	190,032	994,795	22,654,377	17,989,782
Rent and interest expense (Notes 4, 5, 6 and 9)	1,992,369	2,191,579	118,541	-	4,302,489	2,084,349	-	2,084,349	6,386,838	5,707,684
Utilities	302,149	1,240,452	65,578	1,501	1,609,680	188,257	-	188,257	1,797,937	1,676,642
Client transportation	-	687,118	144,659	-	831,777	-	-	-	831,777	599,576
Supplemental expenses	-	1,883	-	-	1,883	-	-	-	1,883	1,949
Food	180,829	1,635,894	234	-	1,816,957	25,894	-	25,894	1,842,851	1,842,368
Kitchen and food service supplies	-	23,662	-	-	23,662	263	-	263	23,925	29,064
Training supplies and equipment	7,211	7,207	3,690,060	-	3,704,478	14,134	-	14,134	3,718,612	4,244,661
Medical supplies and equipment	1,632	105,519	7	454	107,612	3,083	-	3,083	110,695	90,672
Program activities	291,896	142,924	-	-	434,820	13,352	-	13,352	448,172	402,544
Purchase of services	-	887	-	1,284,538	1,285,425	8,465	-	8,465	1,293,890	1,573,145
Contribution expense	-	-	-	-	-	-	46,986	46,986	46,986	-
Bad debt	5,526	30,062	-	-	35,588	1,354,546	-	1,354,546	1,390,134	1,557,500
Depreciation and amortization (Note 2)	226,878	1,826,912	830,296	2,184	2,886,270	609,561	-	609,561	3,495,831	3,164,580
Total	\$ 30,085,640	\$ 80,491,424	\$ 94,713,299	\$ 3,185,855	\$ 208,476,218	\$ 36,585,063	\$ 618,800	\$ 37,203,863	\$ 245,680,081	\$ 225,131,285

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

Consolidated Statement of Functional Expenses Year Ended June 30, 2023

	Behavioral Health Services	Developmental Disabilities Services	Employment Services	Grant	Total Program Services	Management and General	Fundraising	Total Supporting Services	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
Salaries overtime	921,396	6,471,248	732,474	84,162	8,209,280	38,866	-	38,866	8,248,146
Temporary labor	1,096,412	3,063,887	80,500	-	4,240,799	872,154	-	872,154	5,112,953
Client payroll	-	78,936	-	-	78,936	-	-	-	78,936
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
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
Telephone	479,047	443,541	207,878	1,419	1,131,885	281,239	-	281,239	1,413,124
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
Vehicles, operation and travel	387,623	1,237,636	369,799	22,296	2,017,354	350,090	-	350,090	2,367,444
Building, equipment and furnishings	133,883	176,060	116,746	-	426,689	724,971	-	724,971	1,151,660
Repairs to furnishings and equipment	474,514	785,611	186,892	-	1,447,017	254,571	-	254,571	1,701,588
Housekeeping supplies	19,185	264,998	669	39	284,891	6,197	-	6,197	291,088
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
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
Utilities	313,103	1,125,042	72,054	1,365	1,511,564	165,078	-	165,078	1,676,642
Client transportation	-	529,026	74,776	-	603,802	(4,226)	-	(4,226)	599,576
Supplemental expenses	-	1,949	-	-	1,949	-	-	-	1,949
Food	167,929	1,664,533	37	-	1,832,499	9,869	-	9,869	1,842,368
Disposable supplies	-	-	-	-	-	-	-	-	-
Kitchen and food service supplies	-	27,580	-	-	27,580	1,484	-	1,484	29,064
Training supplies and equipment	9,594	153,605	4,076,231	-	4,239,430	5,231	-	5,231	4,244,661
Medical supplies and equipment	3,195	70,453	-	-	73,648	17,024	-	17,024	90,672
Program activities	274,698	121,818	11	66	396,593	5,951	-	5,951	402,544
Purchase of services	-	83,385	-	1,390,259	1,473,644	99,501	-	99,501	1,573,145
Bad debt	942	-	-	-	942	1,376,686	179,872	1,556,558	1,557,500
Depreciation and amortization (Note 2)	195,679	1,511,039	743,334	2,184	2,452,236	712,344	-	712,344	3,164,580
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

See notes to consolidated financial statements.

Chimes International Limited and Related Entities

Consolidated Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 9,448,721	\$ 6,366,593
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of right-of-use assets	3,119,103	2,365,443
Depreciation	3,495,831	3,164,580
(Decrease) increase in allowance for doubtful accounts	(19,949)	452,406
Realized and unrealized gain on investments, net	(1,676,675)	(1,294,498)
Loss (gain) on interest rate swap	42,386	(300,552)
Loss (gain) on sale of land, buildings and equipment	198,481	(84,148)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,872,605	(4,348,509)
Prepaid expenses	335,190	(650,250)
Other noncurrent assets	133,509	(113,073)
Increase (decrease) in:		
Accounts payable	(1,594,785)	(4,071,263)
Accrued expenses and other liabilities	2,285,646	1,240,502
Operating lease liabilities	(2,036,892)	(1,692,985)
Due to third-party payors	1,090,305	4,587,445
Deferred revenue and refundable advances	(750,220)	(246,637)
Deferred payroll taxes	-	(2,162,809)
Net cash provided by operating activities	15,943,256	3,212,245
Cash flows from investing activities:		
Purchases of investments	(46,861,425)	(23,757,362)
Purchases of property and equipment	(5,455,422)	(4,057,621)
Proceeds from sales of property and equipment	231,481	249,912
Proceeds from sales of investments	40,848,203	12,972,788
Decrease in loans receivable	19,858	27,285
Net cash used in investing activities	(11,217,305)	(14,564,998)
Cash flows from financing activities:		
Principal payments on mortgages and notes payable	(715,419)	(687,403)
Payments on finance lease obligations	(1,035,768)	(599,160)
Net cash used in financing activities	(1,751,187)	(1,286,563)
Net increase (decrease) in cash and cash equivalents	2,974,764	(12,639,316)
Cash and cash equivalents (including restricted cash):		
Beginning	37,352,308	49,991,624
Ending	\$ 40,327,072	\$ 37,352,308
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 591,521	\$ 415,617
Supplemental schedule of noncash activities:		
Fixed asset purchases included in accounts payable	\$ 353,460	\$ 87,372

(Continued)

Chimes International Limited and Related Entities

Consolidated Statements of Cash Flows (Continued) Years Ended June 30, 2024 and 2023

	2024	2023
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	\$ 2,036,892	\$ 1,692,985
Financing cash outflows—payments on finance leases	1,035,768	599,160
Total cash paid for amounts included in measurement of lease liabilities	\$ 3,072,660	\$ 2,292,145
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 1,846,093	\$ 12,382,283
Finance leases	1,500,528	3,349,664
Total right-of-use assets obtained	\$ 3,346,621	\$ 15,731,947
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 behavioral 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)	International has sole membership
Chimes Virginia, Inc. (Chimes—VA)	International has sole membership
Chimes Foundation, Incorporated (The Chimes Foundation)	International has sole membership
Holcomb Associates, Inc. (Holcomb)	International has sole membership
Chimes Employment Services, LLC (CES)	Chimes—Maryland has sole membership
Seton Solutions, Inc. (Seton Solutions)	The Chimes Foundation is sole shareholder

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—DC, Chimes—VA, The Chimes Foundation, Holcomb, CES and Seton Solutions. 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 and equities. 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 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 credit losses based on review of all outstanding amounts. The allowance for credit losses at June 30, 2024 and 2023, was \$1,905,160 and \$1,925,109, respectively. The allowance for credit losses represents an estimate of credit losses over the lifetime of the receivable. The estimation process is based on historical experience, current conditions, asset-specific characteristics, and reasonable and supportable forecasts about future economic and market 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. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received.

The allowance for credit losses was composed of the following at June 30, 2024 and 2023:

	2024	2023
Balance at beginning of year	\$ 1,925,109	\$ 1,472,703
Monthly provision	1,947,398	1,358,249
Provision adjustment	(950,000)	200,000
Write-offs	(1,017,347)	(1,105,843)
Balance at end of year	<u>\$ 1,905,160</u>	<u>\$ 1,925,109</u>

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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

Contract receivables: The timing of revenue recognition may not align with the right to invoice a customer. The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether the revenue has been recognized. If revenue is recognized in advance of the right to invoice, a contract receivable is recorded.

Contract receivables consist of the following at June 30:

	2024	2023	2022
Contract receivables	\$ 29,973,593	\$ 31,850,222	\$ 27,501,713

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. The Organization did not identify any long-lived assets which were impaired at June 30, 2024 and 2023.

Leases: 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.

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.

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.

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. Short-term investments include securities with maturities of less than one year or where management's intent is to make them available for current operations.

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.

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.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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

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 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 \$1,383,284 and \$1,200,000 as of June 30, 2024 and 2023, 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, 2024 and 2023, cash reserves held in a separate account amount to \$2,934,232 and \$2,671,733, respectively. The Organization's liabilities under the self-insured plan amounted to \$2,551,199 and \$2,662,756 for the years ended June 30, 2024 and 2023, 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.

Behavioral 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 behavioral 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 over time 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.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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

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.

Total revenue and other support includes \$178,547,504 and \$152,587,564 of contract revenue recognized at a point in time for the years ended June 30, 2024 and 2023, respectively, and contract revenue of \$70,473,197 and \$72,103,837 recognized over time for the years ended June 30, 2024 and 2023, respectively. Total revenue and other support includes \$1,705,042 and \$4,703,681 of contribution revenues (nonreciprocal transactions) for the years ended June 30, 2024 and 2023, respectively. There are additional revenues to be earned on various conditional grants in the amounts of \$2,390,697 and \$1,915,328 as of June 30, 2024 and 2023, respectively.

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.

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.

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.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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

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: 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 required financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the new 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 Organization adopted ASU effective July 1, 2023, using a modified retrospective approach for its financial assets in the scope of ASC 326, and it did not have a significant impact on the Organization's financial position, results of operations, or cash flows.

Reclassifications: Certain items in the June 30, 2023, consolidated financial statements have been reclassified to conform to the June 30, 2024, 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 December 20, 2024, which is the date the consolidated financial statements were available to be issued.

Note 2. Property and Equipment

Major classes of property and equipment at June 30, 2024 and 2023, are as follows:

	2024	2023
Land	\$ 4,503,653	\$ 4,387,260
Buildings and improvements	43,382,497	40,923,035
Land improvements	901,707	869,540
Automobiles	9,114,889	9,477,933
Furnishings and equipment	26,057,960	25,340,978
Leasehold improvements	5,641,265	5,628,698
	<u>89,601,971</u>	<u>86,627,444</u>
Less accumulated depreciation	(59,236,856)	(58,145,418)
	<u>\$ 30,365,115</u>	<u>\$ 28,482,026</u>

Depreciation on these assets for the years ended June 30, 2024 and 2023, was \$3,495,831 and \$3,164,580, respectively.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements

Investments with a readily determinable fair value are reported at fair value in the statements of financial position. Gains and losses on investments are reported in the statements of activities as part of investment income.

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, 2024 and 2023.

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.

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 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 Secured Overnight Funding Rate (SOFR) plus 175 basis points (7.09% and 6.82% at June 30, 2024 and 2023, respectively). 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, 2024 and 2023. 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 one-month SOFR plus 175 basis points (7.09% and 6.82% at June 30, 2024 and 2023, respectively). The loan is scheduled to expire March 31, 2025. There was no outstanding balance at June 30, 2024 and 2023.

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 loan bears interest at the one-month SOFR plus 175 basis points (7.09% and 6.82% at June 30, 2024 and 2023, respectively), and matures on October 20, 2032. The outstanding balance of this loan was \$7,131,069 and \$7,838,085 as of June 30, 2024 and 2023, 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 \$125,626 and \$134,700 as of June 30, 2024 and 2023, respectively.

Payments of principal during the next five years and thereafter as of June 30, 2024, are as follows:

Years ending June 30:	
2025	\$ 744,609
2026	774,973
2027	806,576
2028	839,457
2029	873,701
Thereafter	3,217,379
	<u>\$ 7,256,695</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 7.09% and 6.84% under SOFR at June 30, 2024 and 2023, respectively, on the notional amount of indebtedness. The recorded fair value of the interest rate swap was an asset of \$529,597 and \$571,983 as of June 30, 2024 and 2023, respectively, resulting in a loss on interest rate swap of \$42,386 and a gain of \$300,552 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, changes in net assets with donor restrictions were as follows:

	2024			
	Balance June 30, 2023	Additions	Releases	Balance June 30, 2024
Subject to expenditure for a specific purpose or period:				
Tina Hyatt Fund	\$ 310,142	\$ 13,633	\$ -	\$ 323,775
Chimes Metro Millsboro	7,960	2,554	-	10,514
Chimes Maryland (Safeway)	2,231	-	-	2,231
Holcomb Clubhouse	1,500	-	-	1,500
Holcomb recruiting and retention for employees	3,691,012	70,000	(624,843)	3,136,169
	<u>\$ 4,012,845</u>	<u>\$ 86,187</u>	<u>\$ (624,843)</u>	<u>\$ 3,474,189</u>

	2023			
	Balance June 30, 2022	Additions	Releases	Balance 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>

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, 2024 and 2023, was \$2,574,918 and \$1,963,904, 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.

Total expense under the 457(b) plan and 457(f) plan was \$119,713 and \$100,026 for the years ended June 30, 2024 and 2023, respectively. Total plan assets and liabilities were \$241,944 and \$211,132 for the year ended June 30, 2024 and 2023, respectively.

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 years ended June 30, 2024 and 2023:

	2024	2023
Amortization of finance lease ROU assets	\$ 1,112,237	\$ 581,042
Interest on finance lease liabilities	125,733	76,832
Amortization of operating lease ROU assets	2,006,866	1,784,401
Interest on operating lease liabilities	342,924	361,825
Variable lease costs and short term leases	2,799,078	2,903,584
	<u>\$ 6,386,838</u>	<u>\$ 5,707,684</u>

Supplemental information regarding assumptions and cash flows for the operating leases is as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases (i.e., interest)	\$ 121,044	\$ 76,832
Financing cash flows from finance leases (i.e., principal portion)	1,035,768	599,160
Operating cash flows from operating leases	2,036,892	1,692,985
ROU assets obtained in exchange for new finance lease liabilities	1,500,528	3,349,664
ROU assets obtained in exchange for new operating lease liabilities, net deferred rent	1,846,093	12,382,283

The weighted-average remaining lease terms and discount rates for operating leases are as follows as of June 30, 2024 and 2023:

	2024	2023
Weighted-average remaining lease term for finance leases	2.89 years	3.87 years
Weighted-average remaining lease term for operating leases	7.34 years	8.06 years
Weighted-average discount rate for finance leases	4.26%	3.89%
Weighted-average discount rate for operating leases	3.02%	2.97%

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

Note 9. Leases (Continued)

As of June 30, 2024, maturities of lease liabilities were as follows:

	Finance	Operating
Years ending June 30:		
2025	\$ 1,286,307	\$ 2,374,956
2026	1,054,921	1,990,161
2027	616,756	1,748,730
2028	174,800	1,480,517
2029	10,116	1,186,436
Thereafter	-	3,548,837
Total lease payments	3,142,900	12,329,637
Less: present value discount	(164,766)	(1,348,239)
Present value of lease liabilities	<u>\$ 2,978,134</u>	<u>\$ 10,981,398</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 Maryland (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, 2024 and 2023, totaled \$3,811,920 and \$3,711,380, respectively.

The Organization acts as an agent on behalf of individuals served regarding the holding of client cash funds. At June 30, 2024 and 2023, the Organization was holding \$382,556 and \$537,751, 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 holds three letters of credit with Truist Bank to ensure payment for workers' compensation insurance, which totaled \$2,266,800 and \$2,416,800 as of June 30, 2024 and 2023, respectively. These letters of credit are issued under the \$15,300,000 credit facility from Truist Bank for International.

Chimes International Limited and Related Entities

Notes to Consolidated Financial Statements

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, 2024 and 2023, was \$10,293,166 and \$7,367,278, 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:

	2024	2023
Cash and cash equivalents	\$ 37,392,840	\$ 34,680,575
Restricted cash	2,934,232	2,671,733
Accounts receivable, net	28,072,457	29,925,113
Investments	32,469,142	24,779,245
Note receivable	208,769	228,627
	<hr/>	<hr/>
	101,077,440	92,285,293
Less due to third-party payors	(10,293,166)	(7,367,272)
Less long-term investments	(16,011,718)	(14,061,776)
Less long-term portion of note receivable	(189,884)	(209,742)
Less those unavailable for general expenditures within one year, due to:		
Restrictions by donors	(3,474,189)	(4,012,845)
Restricted cash	(2,934,232)	(2,671,733)
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditure within one year	\$ 68,174,251	\$ 63,961,925
	<hr/>	<hr/>

Note 13. Subsequent Event

Holcomb purchased a building for \$3,050,000 plus settlement costs on July 24, 2024. In September 2024, the Delaware County Department of Human Services provided funding of \$3,241,260 to Holcomb in connection with the purchase of the building, with Holcomb agreeing to operate the property as a residential program for qualified individuals for a period of at least five years.

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, 2024 and 2023, and have issued our report thereon, dated December 20, 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
December 20, 2024

Chimes International Limited and Related Entities

Consolidating Statement of Financial Position June 30, 2024

	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	\$ 7,585	\$ 96,337	\$ 18,252,486	\$ 2,540	\$ 8,013,481	\$ 7,767,725	\$ 3,252,686	\$ -	\$ 37,392,840
Accounts receivable, net	3,950,385	3,092,437	15,989,361	537,959	26,749	4,452,196	23,370	-	28,072,457
Resident funds	255,438	-	-	63,241	-	63,877	-	-	382,556
Prepaid expenses	142,993	55,527	2,409	19,962	741,299	262,460	66,643	-	1,291,293
Note receivable, current portion	-	-	-	-	-	-	18,885	-	18,885
Investments, current	-	-	-	-	15,838,946	-	618,478	-	16,457,424
Due from related parties	-	-	38,568,038	795,848	-	-	-	(39,363,886)	-
Total current assets	4,356,401	3,244,301	72,812,294	1,419,550	24,620,475	12,546,258	3,980,062	(39,363,886)	83,615,455
Noncurrent assets:									
Restricted cash	-	-	-	-	2,934,232	-	-	-	2,934,232
Operating right-of-use assets, net	2,010,308	448,074	-	1,780,750	-	6,194,203	-	-	10,433,335
Finance right-of-use assets, net	2,125,710	252,654	257,336	164,898	100,040	153,641	-	-	3,054,279
Property and equipment, net	17,467,628	5,300,303	1,885,074	423,991	1,226,605	4,053,607	7,907	-	30,365,115
Investments, long-term	-	-	-	-	-	-	16,011,718	-	16,011,718
Note receivable, net of current portion	-	-	-	-	-	-	228,663	(38,779)	189,884
Interest rate swap	-	-	-	-	529,597	-	-	-	529,597
Other noncurrent assets	12,116	39,789	(18,365)	30,516	140,000	172,674	-	-	376,730
Total noncurrent assets	21,615,762	6,040,820	2,124,045	2,400,155	4,930,474	10,574,125	16,248,288	(38,779)	63,894,890
Total assets	\$ 25,972,163	\$ 9,285,121	\$ 74,936,339	\$ 3,819,705	\$ 29,550,949	\$ 23,120,383	\$ 20,228,350	\$ (39,402,665)	\$ 147,510,345

(Continued)

Chimes International Limited and Related Entities

Consolidating Statement of Financial Position (Continued) June 30, 2024

	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	\$ 8,494	\$ -	\$ -	\$ -	\$ 735,821	\$ 8,788	\$ -	\$ (8,494)	\$ 744,609
Accounts payable	1,089,762	54,828	4,206,597	130,246	1,513,916	591,535	2,079	-	7,588,963
Accrued expenses and other liabilities	3,654,329	3,046,005	6,988,361	484,555	7,345,082	2,424,832	13,000	-	23,956,164
Resident funds payable	255,438	-	-	63,241	-	63,877	-	-	382,556
Deferred revenue and refundable advances	1,076	-	-	-	-	-	-	-	1,076
Operating lease liabilities, current	103,994	368,481	-	466,745	-	1,138,418	-	-	2,077,638
Finance lease liabilities, current	872,309	91,152	80,808	45,260	28,252	72,697	-	-	1,190,478
Due to third-party payors	8,044,970	-	-	-	-	2,248,196	-	-	10,293,166
Due to related parties	4,572,592	11,126,756	-	-	17,764,436	2,183,582	3,716,520	(39,363,886)	-
Total current liabilities	18,602,964	14,687,222	11,275,766	1,190,047	27,387,507	8,731,925	3,731,599	(39,372,380)	46,234,650
Long-term liabilities:									
Operating lease liabilities, noncurrent	2,064,610	93,350	-	1,374,793	-	5,371,007	-	-	8,903,760
Finance lease liabilities, noncurrent	1,189,420	157,325	171,233	120,397	69,942	79,339	-	-	1,787,656
Mortgages and notes payable, net of current portion	-	-	-	-	6,395,248	116,838	-	-	6,512,086
Loans payable—related party	30,285	-	-	-	-	-	-	(30,285)	-
Total long-term liabilities	3,284,315	250,675	171,233	1,495,190	6,465,190	5,567,184	-	(30,285)	17,203,502
Total liabilities	21,887,279	14,937,897	11,446,999	2,685,237	33,852,697	14,299,109	3,731,599	(39,402,665)	63,438,152
Net assets (deficit):									
Without donor restrictions	4,084,884	(5,652,776)	63,489,340	1,134,468	(4,301,748)	8,821,274	13,022,562	-	80,598,004
With donor restrictions	-	-	-	-	-	-	3,474,189	-	3,474,189
Total net assets (deficit)	4,084,884	(5,652,776)	63,489,340	1,134,468	(4,301,748)	8,821,274	16,496,751	-	84,072,193
Total liabilities and net assets	\$ 25,972,163	\$ 9,285,121	\$ 74,936,339	\$ 3,819,705	\$ 29,550,949	\$ 23,120,383	\$ 20,228,350	\$ (39,402,665)	\$ 147,510,345

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

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	143,850	90,400	-	8,830,288
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	-	-	-	-	1,835,583	-	-	9,202,861
Due to related parties	3,171,445	10,075,457	-	-	16,748,338	-	3,156,348	(33,151,588)	-
Deferred payroll taxes	-	-	-	-	-	-	-	-	-
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
Interest rate swap	-	-	-	-	-	-	-	-	-
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:									
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
Board designated	-	-	-	-	-	-	-	-	-
	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 Activities Year Ended June 30, 2024

	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	\$ -	\$ -	\$ -	\$ -	\$ -	37,618,571	\$ -	\$ -	\$ 37,618,571
Developmental disabilities services	49,044,301	37,882,902	-	7,497,040	-	-	-	-	94,424,243
Employment contractual services	-	-	115,813,916	-	-	-	-	(152,270)	115,661,646
Community support services	2,986,160	-	-	-	-	-	-	-	2,986,160
Administrative	38,491	521,531	-	-	215,080	10,576	-	(291,946)	493,732
Management fees	-	-	-	-	18,348,229	-	-	(18,348,229)	-
Donations and grants	-	-	-	-	-	-	13,633	-	13,633
Miscellaneous	226,402	-	32,741	-	1,005,917	49	219,596	(240,000)	1,244,705
Fundraising income, net of direct fundraising expenses, of \$64,000	-	-	-	-	-	-	775,682	-	775,682
Total revenue and other support	52,295,354	38,404,433	115,846,657	7,497,040	19,569,226	37,629,196	1,008,911	(19,032,445)	253,218,372
Expenses:									
Program services:									
Mental health services	-	-	-	-	-	30,085,640	-	-	30,085,640
Developmental disabilities services	42,054,949	32,252,693	-	6,512,878	-	-	-	(329,096)	80,491,424
Employment contractual services	-	-	94,713,299	-	-	-	-	-	94,713,299
Grants	3,185,855	-	-	-	-	-	-	-	3,185,855
Total program services	45,240,804	32,252,693	94,713,299	6,512,878	-	30,085,640	-	(329,096)	208,476,218
Supporting services:									
Management and general	6,450,936	6,477,954	13,093,631	1,266,198	19,539,151	7,697,564	476,743	(18,417,114)	36,585,063
Fundraising expenses	-	-	-	-	-	-	910,746	(291,946)	618,800
Total supporting services	6,450,936	6,477,954	13,093,631	1,266,198	19,539,151	7,697,564	1,387,489	(18,709,060)	37,203,863
Total expenses	51,691,740	38,730,647	107,806,930	7,779,076	19,539,151	37,783,204	1,387,489	(19,038,156)	245,680,081
Change in net assets before other income	603,614	(326,214)	8,039,727	(282,036)	30,075	(154,008)	(378,578)	5,711	7,538,291
Other income:									
Investment income—net	-	-	-	-	-	-	1,760,046	(5,711)	1,754,335
Gain on sale of assets	130,363	(2,174)	47,325	11,500	12,311	(844)	-	-	198,481
Gain on interest rate swap	-	-	-	-	(42,386)	-	-	-	(42,386)
Other income	130,363	(2,174)	47,325	11,500	(30,075)	(844)	1,760,046	(5,711)	1,910,430
Change in net assets	733,977	(328,388)	8,087,052	(270,536)	-	(154,852)	1,381,468	-	9,448,721
Net assets (deficit):									
Beginning	3,350,907	(5,324,388)	55,402,288	1,405,004	(4,301,748)	8,976,126	15,115,283	-	74,623,472
Ending	\$ 4,084,884	\$ (5,652,776)	\$ 63,489,340	\$ 1,134,468	\$ (4,301,748)	\$ 8,821,274	\$ 16,496,751	\$ -	\$ 84,072,193

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 Schedule of Property and Equipment June 30, 2024

	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	\$ 981,641	\$ -	\$ -	\$ -	\$ 628,800	\$ 7,907	\$ 4,503,653
Buildings and improvements	33,019,487	5,493,363	257,147	334,532	-	4,277,968	-	43,382,497
Land improvements	711,945	26,260	-	4,400	159,102	-	-	901,707
Automobiles	3,139,650	813,994	3,190,931	510,633	143,432	1,316,249	-	9,114,889
Furnishings and equipment	6,233,067	2,199,318	3,382,732	417,274	10,848,297	2,977,272	-	26,057,960
Leasehold improvements	789,389	2,481,876	273,187	231,538	787,030	1,078,245	-	5,641,265
	46,778,843	11,996,452	7,103,997	1,498,377	11,937,861	10,278,534	7,907	89,601,971
Less accumulated depreciation	(29,311,215)	(6,696,149)	(5,218,923)	(1,074,386)	(10,711,256)	(6,224,927)	-	(59,236,856)
	<u>\$ 17,467,628</u>	<u>\$ 5,300,303</u>	<u>\$ 1,885,074</u>	<u>\$ 423,991</u>	<u>\$ 1,226,605</u>	<u>\$ 4,053,607</u>	<u>\$ 7,907</u>	<u>\$ 30,365,115</u>

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>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Chimes International Limited and Related Entities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Chimes International Limited and Related Entities (the Organization), which comprise the Organization's consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated December 20, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Baltimore, Maryland
December 20, 2024

Chimes International Limited and Related Entities

Schedule of Findings and Responses Year Ended June 30, 2024

Finding 2024-001: Revenue Recognition

Significant Deficiency

Criteria: Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers provides a practical expedient that permits an entity to recognize revenue in the period the performance obligation has been satisfied, provided the Organization has a right to revenue in an amount that directly corresponds to the value of the Organization's completed performance to date.

Condition: Revenue adjustments were identified in accordance with ASC 606. The Organization generates revenue from various funders and sources. We identified errors within the audit samples related to several revenue streams. These errors identified were a combination of a) revenues recorded in fiscal year 2024 where the service was performed in a prior year b) incorrect rates utilized for billings and c) incorrect units of service utilized for billings.

Cause: Final reconciliations of fee-for-service revenue are often performed subsequent to year-end. The Organization did not have effective control procedures in place after posting revenue to ensure accurate billings throughout the fiscal year.

Effect: Total actual adjustments to revenue as of June 30, 2024 were (1) overstatements of revenue by approximately \$141,000 (plus an additional statistical projection amount of \$169,000) and (2) understatements of revenue by \$420,000 (plus an additional statistical projection of \$459,000).

Recommendation: We recommend that that the Organization establish quarterly reviews and reconciliations of fee-for-service revenues to ensure accurate billings are posted for the fiscal year-end.

Views of Responsible Individuals: See corrective action plan.

Finding 2024-002: Allowance for Credit Losses

Significant Deficiency

Criteria: The allowance for credit loss represents an estimate made for credit losses based on a review of all outstanding amounts. Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses (Topic 326), requires companies to evaluate the likelihood of collecting receivables at each reporting period and requires organizations to estimate all expected credit losses for financial assets measured at amortized costs, including trade receivables, based on historical experience, current conditions, asset-specific characteristics, and reasonable and supportable forecasts about future economic and market conditions.

Condition: The Organization's allowance for credit losses was not properly evaluated under ASU 2016-13 to determine a reasonable estimate for credit losses as of June 30, 2024.

Cause: The Organization recorded monthly provisions to increase the allowance, but did not adjust year-end in a timely manner based on historical data on bad debts and subsequent cash collections.

Effect: The Organization's allowance for credit losses was overstated by approximately \$1,375,000 based on a retrospective review of past and current accounts receivable collections.

Recommendation: We recommend that management review historical data on bad debts and subsequent cash collections to re-evaluate appropriateness of allowance for credit loss balance at year-end.

Views of Responsible Individuals: See corrective action plan.



CHIMES CORPORATE OFFICES

4815 SETON DRIVE
BALTIMORE, MARYLAND 21215
410.358.6400 • FAX 410.358.8546
1.800.CHIMES1 • TTY 711
WWW.CHIMES.ORG

**CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

Identifying Number: Finding No. 2024-001 – Revenue Recognition

Significant Deficiency

Finding: Revenue adjustments were identified in accordance with ASC 606. The Organization generates revenue from various funders and sources. We identified errors within the audit samples related to several revenue streams. These errors identified were a combination of a) revenues recorded in fiscal year 2024 where the service was performed in a prior year b) incorrect rates utilized for billings and c) incorrect units of service utilized for billings.

Total actual adjustments to revenue as of June 30, 2024 were (1) overstatements of revenue by approximately \$141,000 (plus an additional statistical projection amount of \$169,000) and (2) understatements of revenue by \$420,000 (plus an additional statistical projection of \$459,000).

Corrective Actions Taken or Planned:

Responsible Official: Nicole Bridges, Controller

Anticipated Completion Date: March 31, 2025

View of Responsible Individuals: The Organization has implemented two new internal process to ensure revenue transactions are recorded in the period earned, as well as utilizing the appropriate approved rate for the services performed. The first process will be completed quarterly and will involve recalculating revenue for 100% of the population of the residential clients served by the organization. The report will recalculate the revenue for the period selected based on the client census and the current rates for the effective period. The total recalculated revenue will be compared to the revenue booked in the general ledger to corroborate the revenue recorded for the period. This control report will be utilized on a quarterly basis and will be in place by March 31, 2025.

The second report developed is a three-tiered revenue variance report. Actual revenue will be compared to budget and any variance will be identified into one of three categories, rate variance (i.e. a difference between budgeted rate and actual rate, volume variance (difference between actual census and budgeted census) and Utilization Variance (i.e. difference between actual utilization and budgeted utilization). These reports will be reviewed in detail on a monthly basis with the Chief Operating Officer of each operating entity and the VP of Financial Planning and Analysis. Additionally, these reports will be reviewed with the executive team during the monthly Financial Operations Excellence meetings.

Identifying Number: Finding No. 2024-002 – Allowance for Credit Losses

Significant Deficiency

Finding: The Organization’s allowance for credit losses was not properly evaluated under ASU 2016-13 to determine a reasonable estimate for credit losses as of June 30, 2024. The Organization’s allowance for credit losses was overstated by approximately \$1,375,000 based on a retrospective review of past and current accounts receivable collections.

Corrective Actions Taken or Planned:

Responsible Official: Nicole Bridges, Controller

Anticipated Completion Date: December 31, 2024

View of Responsible Individuals:

During the process of closing the monthly internal financial statements, the Controller will review the current Accounts Receivable Aging Reports as well as the Allowance for Credit Loss rollforward schedule in accordance with ASU 2016-13 to determine if the Allowance for Credit Loss is properly stated. Additionally, these accounts will be reviewed in detail with the Chief Financial Officer to determine any monthly adjustments for posting.