

GORFINE, SCHILLER & GARDYN, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

**CHIMES INTERNATIONAL
LIMITED AND
RELATED ENTITIES**

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

**To The Board of Directors and Officers
Chimes International Limited and Related Entities**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Chimes International Limited and Related Entities, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, cash flows for the years then ended, the related notes to the consolidated financial statements, and the consolidated statement of functional expenses for the year ended June 30, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chimes International Limited and Related Entities as of June 30, 2013 and 2012, 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.

Emphasis of Matter

As discussed in Note V to the financial statements, the 2012 consolidated financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Chimes International Limited and Related Entities June 30, 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 16, 2012. In our opinion, the summarized comparative information presented on the consolidated statement of functional expenses as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Martino, Schiller & Haidyn, P.A.

December 16, 2013
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	2013	2012
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,918,879	\$ 6,735,903
Accounts receivable, net of allowance for doubtful accounts	23,335,934	20,394,123
Pledges receivable	84,649	202,693
Prepaid expenses	1,000,975	1,000,971
Investments, current	4,564,357	2,592,362
Total current assets	36,904,794	30,926,052
NONCURRENT ASSETS		
Land, buildings and equipment, net of accumulated depreciation	36,241,868	33,251,561
Intangible assets, net of accumulated amortization	189,325	205,585
Long-term pledges receivable, net of allowance for doubtful accounts	418,138	393,795
Cash - deferred compensation plan	36,042	26,140
Investments, long-term	1,086,576	879,567
Other noncurrent assets	410,687	529,247
Total noncurrent assets	38,382,636	35,285,895
TOTAL ASSETS	\$ 75,287,430	\$ 66,211,947

The accompanying notes are an integral part of these consolidated financial statements.

	<u>2013</u>	<u>2012</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 427,143	\$ 444,657
Short-term borrowings	9,166,936	6,337,739
Accounts payable	4,589,900	5,227,253
Accrued expenses and other liabilities	15,715,328	13,345,726
Deferred revenue and refundable advances	307,190	417,387
Deferred rent	26,578	94,321
Due to third-party payors	<u>1,137,017</u>	<u>1,941,550</u>
Total current liabilities	<u>31,370,092</u>	<u>27,808,633</u>
LONG-TERM LIABILITIES		
Bonds payable	6,781,631	7,018,319
Mortgages and notes payable	3,705,017	1,686,875
Capital lease obligations	-	11,517
Interest rate swap	437,446	602,465
Deferred compensation and postemployment benefit obligation	<u>1,000,055</u>	<u>901,117</u>
Total long-term liabilities, net of current maturities	<u>11,924,149</u>	<u>10,220,293</u>
Total liabilities	<u>43,294,241</u>	<u>38,028,926</u>
NET ASSETS		
Unrestricted		
Undesignated	30,092,602	26,557,599
Board designated	<u>13,249</u>	<u>11,444</u>
	30,105,851	26,569,043
Temporarily restricted	579,672	556,116
Permanently restricted	<u>1,307,666</u>	<u>1,057,862</u>
Total net assets	<u>31,993,189</u>	<u>28,183,021</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 75,287,430</u>	<u>\$ 66,211,947</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND OTHER SUPPORT				
Mental health services	\$ 26,919,280	\$ -	\$ -	\$ 26,919,280
Developmental disabilities services	75,585,925	-	-	75,585,925
Employment contractual services	79,425,931	-	-	79,425,931
Management fees	82,810	-	-	82,810
Donations and grants	765,013	-	995	766,008
Miscellaneous	193,542	-	-	193,542
Fundraising income, net of fundraising expenses of \$354,651	248,669	-	-	248,669
Net assets released from restrictions	5,308	(5,308)	-	-
Total revenue and other support	183,226,478	(5,308)	995	183,222,165
EXPENSES				
Program services				
Mental health services	22,628,954	-	-	22,628,954
Developmental disabilities services	65,804,113	-	-	65,804,113
Employment contractual services	69,525,099	-	-	69,525,099
Grants	44,453	-	-	44,453
Total program services	158,002,619	-	-	158,002,619
Supporting services				
Administrative expenses	23,207,426	-	-	23,207,426
Fundraising expenses	48,665	-	-	48,665
Total supporting services	23,256,091	-	-	23,256,091
Total expenses	181,258,710	-	-	181,258,710
OPERATING INCOME	1,967,768	(5,308)	995	1,963,455
OTHER INCOME (EXPENSE)				
Investment income	635,940	23,556	248,809	908,305
Gain on interest rate swap	165,019	-	-	165,019
Gain on sale of assets	71,738	-	-	71,738
Net other income (expense)	872,697	23,556	248,809	1,145,062
CHANGES IN NET ASSETS				
BEFORE TRANSFER OF NET ASSETS	2,840,465	18,248	249,804	3,108,517
Gain on acquisition of Family-Child Resources, Inc.	696,343	5,308	-	701,651
CHANGES IN NET ASSETS	3,536,808	23,556	249,804	3,810,168
NET ASSETS, Beginning of year	26,569,043	556,116	1,057,862	28,183,021
NET ASSETS, End of year	\$ 30,105,851	\$ 579,672	\$ 1,307,666	\$ 31,993,189

The accompanying notes are an integral part of these consolidated financial statements.

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

For the Years Ended June 30, 2013 and 2012

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND OTHER SUPPORT				
Mental health services	\$ 25,224,497	\$ -	\$ -	\$ 25,224,497
Developmental disabilities services	72,935,633	-	-	72,935,633
Employment contractual services	75,870,469	-	-	75,870,469
Management fees	129,902	-	-	129,902
Donations and grants	903,733	405,944	21,110	1,330,787
Miscellaneous	172,437	-	-	172,437
Fundraising income, net of fundraising expenses of \$143,986	<u>296,480</u>	<u>-</u>	<u>-</u>	<u>296,480</u>
Total revenue and other support	<u>175,533,151</u>	<u>405,944</u>	<u>21,110</u>	<u>175,960,205</u>
EXPENSES				
Program services				
Mental health services	21,408,859	-	-	21,408,859
Developmental disabilities services	61,271,963	-	-	61,271,963
Employment contractual services	68,114,859	-	-	68,114,859
Grants	<u>85,271</u>	<u>-</u>	<u>-</u>	<u>85,271</u>
Total program services	<u>150,880,952</u>	<u>-</u>	<u>-</u>	<u>150,880,952</u>
Supporting services				
Administrative expenses	20,292,111	-	-	20,292,111
Fundraising expenses	<u>82,775</u>	<u>-</u>	<u>-</u>	<u>82,775</u>
Total supporting services	<u>20,374,886</u>	<u>-</u>	<u>-</u>	<u>20,374,886</u>
Total expenses	<u>171,255,838</u>	<u>-</u>	<u>-</u>	<u>171,255,838</u>
OPERATING INCOME	<u>4,277,313</u>	<u>405,944</u>	<u>21,110</u>	<u>4,704,367</u>
OTHER INCOME (EXPENSE)				
Investment income	285,476	355	5,111	290,942
Loss on interest rate swap	(330,596)	-	-	(330,596)
Gain on sale of assets	<u>20,918</u>	<u>-</u>	<u>-</u>	<u>20,918</u>
Net other income (expense)	<u>(24,202)</u>	<u>355</u>	<u>5,111</u>	<u>(18,736)</u>
CHANGES IN NET ASSETS	<u>4,253,111</u>	<u>406,299</u>	<u>26,221</u>	<u>4,685,631</u>
NET ASSETS, Beginning of year, as originally stated	23,413,997	149,817	1,031,641	24,595,455
EFFECT OF RESTATEMENT	<u>(1,098,065)</u>	<u>-</u>	<u>-</u>	<u>(1,098,065)</u>
NET ASSETS, Beginning of year, restated	<u>22,315,932</u>	<u>149,817</u>	<u>1,031,641</u>	<u>23,497,390</u>
NET ASSETS, End of year	<u>\$ 26,569,043</u>	<u>\$ 556,116</u>	<u>\$ 1,057,862</u>	<u>\$ 28,183,021</u>

The accompanying notes are an integral part of these consolidated financial statements.

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013 (With Comparative Totals for 2012)

	2013								2012	
	Program Services				Supporting Services				Total Expenses	Total Expenses
	Mental Health Services	Developmental Disabilities Services	Employment Services	Grants	Total Program Services	Administrative Expenses	Fundraising	Total Supporting Services		
Salaries and benefits	\$ 17,121,141	\$ 50,163,227	\$ 49,826,046	\$ -	\$ 117,110,414	\$ 14,627,052	\$ -	\$ 14,627,052	\$ 131,737,466	\$ 124,650,454
Consulting and contractual	736,144	216,640	48,011	-	1,000,795	1,661,953	-	1,661,953	2,662,748	2,386,985
Office and administrative	1,135,172	719,964	2,613,544	-	4,468,680	3,988,887	22,277	4,011,164	8,479,844	8,742,076
Vehicles, transport and travel	563,954	3,513,352	332,349	-	4,409,655	407,109	-	407,109	4,816,764	4,267,700
Facilities	2,208,130	6,371,021	487,466	-	9,066,617	1,838,865	-	1,838,865	10,905,482	10,797,488
Janitorial sub-contracts	-	-	11,202,399	-	11,202,399	14,783	-	14,783	11,217,182	10,071,498
Fundraising expenses	-	-	-	-	-	-	26,388	26,388	26,388	35,780
Grant and other distributions	-	-	-	186,574	186,574	-	-	-	186,574	1,392,848
Training supplies, equipment and personal supplies	738,064	4,567,031	4,375,444	-	9,680,539	373,344	-	373,344	10,053,883	9,311,036
Depreciation and amortization	126,349	1,751,199	639,840	-	2,517,388	972,260	-	972,260	3,489,648	3,225,810
Management fees	-	-	-	-	-	8,591,508	-	8,591,508	8,591,508	8,633,351
Total before eliminations	22,628,954	67,302,434	69,525,099	186,574	159,643,061	32,475,761	48,665	32,524,426	192,167,487	183,515,026
Eliminations	-	(1,498,321)	-	(142,121)	(1,640,442)	(9,268,335)	-	(9,268,335)	(10,908,777)	(12,259,188)
TOTAL	\$ 22,628,954	\$ 65,804,113	\$ 69,525,099	\$ 44,453	\$ 158,002,619	\$ 23,207,426	\$ 48,665	\$ 23,256,091	\$ 181,258,710	\$ 171,255,838

The accompanying notes are an integral part of these consolidated financial statements.

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and June 30, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,810,168	\$ 4,685,631
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	3,473,388	3,209,760
Amortization	16,260	16,050
Provision for bad debts	547,050	530,391
Unrealized (gain) loss on investments	(593,367)	111,637
(Gain) loss on interest rate swap	(165,019)	330,596
Gain on sale of land, buildings and equipment	(71,738)	(20,918)
Gain on acquisition of Family-Child Resources, Inc.	(701,651)	-
Changes in operating assets and liabilities:		
Accounts receivable	(3,282,170)	(1,698,121)
Pledges receivable	96,979	(185,892)
Prepaid expenses	29,631	(121,708)
Due to third-party payors	(804,533)	10,681
Other noncurrent assets	118,560	(138,966)
Accounts payable	(665,364)	1,388,128
Accrued expenses and other liabilities	2,233,377	(27,775)
Deferred compensation and postemployment benefit obligation	89,036	48,781
Deferred rent	(67,743)	(12,748)
Deferred revenue and refundable advances	(116,232)	(11,786,004)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,946,632	(3,660,477)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,952,523)	(1,731,741)
Loans receivable collected	-	432,559
Acquisition of land, buildings and equipment	(4,923,810)	(5,160,137)
Proceeds from sales of land, buildings and equipment	139,225	53,225
Proceeds from sales of investments	2,366,886	2,667,092
NET CASH USED IN INVESTING ACTIVITIES	(6,370,222)	(3,739,002)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on bonds	(223,212)	(210,382)
Payments on capital lease obligations	(21,945)	(52,825)
Payments on mortgages and notes	(334,259)	(92,562)
Proceeds from mortgages and notes	1,360,000	-
Borrowings (payments) on short-term borrowings, net	2,704,197	2,427,124
Proceeds from acquisition of Family-Child Resources, Inc.	121,785	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,606,566	2,071,355
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,182,976	(5,328,124)
CASH AND CASH EQUIVALENTS, including restricted cash, Beginning of year	6,735,903	12,064,027
CASH AND CASH EQUIVALENTS, including restricted cash, End of year	\$ 7,918,879	\$ 6,735,903

The accompanying notes are an integral part of these consolidated financial statements.

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE A – NATURE OF OPERATIONS

Chimes International Limited and Related Entities (the Organization) provide services to people living in the States of Maryland, Delaware, Pennsylvania, Virginia, New Jersey, North Carolina and the District of Columbia. The Organization provides mental health services, drug and substance abuse services and intellectual/developmental disabilities services. Its employment services programs also serve the aforementioned people and those with other disabilities and barriers to independent living.

Services provided to persons within the Organization’s target populations include employment services and supports, day habilitation, counseling, educational supports and instruction, supported living services and a variety of living and housing alternatives. The Organization also provides administrative services to other organizations with common interests and needs.

During 2005, the Board of Directors and management of the Organization undertook a reorganization to align corporate structure more closely with actual operations. Chimes International Limited became the parent of all related corporations. The Chimes, Inc., the founding organization and operating program in Maryland, transferred its sole membership in the subsidiaries to the new parent, Chimes International Limited, a supporting organization recognized as a 501(c)(3) not-for-profit corporation by the Internal Revenue Service (IRS).

On March 7, 2009, Developmental Services of New Jersey, Inc. (DSNJ) ceased all operations. On that day all the group homes, day program and administrative office were closed permanently. As of June 30, 2012, DSNJ completed all financial transactions and filed a final return with the IRS.

On July 1, 2012, Family-Child Resources Inc. (FCR) became an affiliate of Holcomb. FCR, a Pennsylvania corporation founded in 1991, provides early intervention and support services to individuals and families primarily in York, Pennsylvania.

The following is a summary of entities related to the Organization, which are included in the consolidated financial statements.

<u>Entity Name</u>	<u>Nature of Relationship</u>
Chimes International Limited (International)	Parent, Board drawn from membership of supported organizations
The Chimes, Inc. (Chimes – Maryland)	International has sole membership
Chimes Metro, Inc. (Chimes – Delaware)	International has sole membership
Chimes District of Columbia, Inc. (Chimes – DC)	Common management
Chimes Virginia, Inc. (Chimes – VA)	International has sole membership
Chimes Foundation, Incorporated (The Chimes Foundation)	Common management
Holcomb Associates, Inc. (Holcomb)	International has sole membership

NOTE A – NATURE OF OPERATIONS – Continued

Open Door, Inc. (Open Door)	Holcomb has sole membership
Family Services Association, Inc. (Family Services)	Holcomb has sole membership
Family Child Resources, Inc. (FCR)	Holcomb has sole membership
Developmental Services of New Jersey, Inc. (DSNJ)	International had sole membership
Chimes Pennsylvania, Inc. (Chimes – PA)	Holcomb has sole membership

All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Chimes Israel is an independent Israeli organization, which is not incorporated in the United States, some of whose directors are also members of the Board of Directors of one or more of the other related entities. Chimes Israel is not included in the consolidated financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

2. Financial Statement Presentation

Under Financial Accounting Standards Board Accounting Standards Codification (ASC), the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The determination of a net asset class is established by the existence or absence of legally enforceable restrictions from outside of the Organization and its Board of Directors. If no outside restrictions exist, then net assets are recorded as unrestricted.

3. Donated Services

No amounts are recorded for donated personal services in these consolidated financial statements since the services do not meet the criteria requiring consolidated financial statement disclosure under accounting principles generally accepted in the United States. Volunteers have donated significant amounts of their time to the Organization; however, the value of these services cannot be estimated.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. Net Assets

Unrestricted net assets consist of funds free of any legally enforceable restrictions outside of the Organization and its Board of Directors. Temporarily and permanently restricted net assets consist of funds subject to donor restrictions from outside the Organization and its Board of Directors. The Organization reports contributions of cash and other assets as donor restricted support if they are received with donor stipulations that limit the time period or manner of use of the contribution. However, if a donor restriction expires in the same reporting period the contribution is made, the contribution is recorded as an increase in unrestricted net assets as allowed by ASC. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

5. Support and Revenue

Some revenues are received as grant funds and third-party claims from the State of Maryland or municipalities in Maryland, as well as from the States of Delaware, Pennsylvania, Virginia, and New Jersey. Such revenues are recognized when the related services are rendered. Unexpended funds may be due back to the funding authorities, unless the funding authority allows the Organization to retain such excess. Other revenues are earned under fee for service arrangements and employment contractual services.

The concentration of revenue from the Mid-Atlantic area is not expected to have any significant future effect on the Organization.

6. 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. Included in cash and cash equivalents on the consolidated statements of financial position is restricted cash of \$198,985 and \$178,295 pertaining to the permanently restricted net assets (See Note M) as of June 30, 2013 and 2012, respectively.

Periodically during the year, cash and cash equivalents in interest bearing accounts may have exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limitation. The Organization does not believe that it is exposed to any significant risk in such deposits.

7. Accounts Receivable

Most of the accounts receivable are due from the Federal government, State or other municipalities in Maryland, Delaware, Pennsylvania, Virginia, New Jersey or the District of Columbia. Accounts receivable also includes amounts due from other payers for employment contractual services. Based upon a review of the receivables as of June 30, 2013 and 2012, management recorded an allowance for doubtful accounts of \$1,424,716 and \$1,079,554, respectively.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

8. Pledges Receivable

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Chimes Foundation is the recipient of unconditional pledges receivable at June 30, which are expected to be received as follows:

	<u>2013</u>	<u>2012</u>
Receivable in less than 1 year	\$ 84,649	\$ 202,693
Receivable in 1 to 5 years	<u>443,138</u>	<u>418,795</u>
Total unconditional pledges receivable	527,787	621,488
Less allowance for doubtful accounts	<u>(25,000)</u>	<u>(25,000)</u>
Total unconditional pledges receivable	<u>\$ 502,787</u>	<u>\$ 596,488</u>

The Chimes Foundation provides an allowance for potentially uncollectible unconditional pledges receivable based on a review of their outstanding unconditional pledges receivable and their historical experience with the individual accounts. Management determined the discounts to net present value were immaterial and hence not recorded.

9. Land, Buildings and Equipment

Capital assets are stated at cost or, if donated, at fair market value on the date of donation. It is the Organization's policy to record as unrestricted net assets all donated property and equipment whose only restrictions are the depreciable lives of the property. The Organization's capitalization policy ranges from \$1,000 to \$2,500, except where regulation requires a different amount. Depreciation is provided over the following estimated useful lives of the related assets using the straight-line method.

Buildings and improvements	15 - 40 years
Land improvements	15 years
Automobiles	3 - 5 years
Furnishings and equipment	3 - 5 years
Leasehold improvements	life of lease

Although the Organization holds title to all of its assets, in the event of its dissolution, all assets acquired under capital grant programs may revert to the governmental entity under their respective funding agreements or to another 501(c)(3) corporation providing similar services as the Organization.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

10. Investments and Investment Income

The Organization accounts for certain investments in equity securities (i.e., investments that have readily determinable fair values and are not accounted for by the equity method) and all investments in debt securities at fair value in the consolidated statements of financial position. 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 unrestricted net assets, unless their use is temporarily or permanently restricted by donor stipulation or by law.

Investment income earned is used to support the ongoing operations of the Organization and is classified as revenue.

11. Intangible Assets

Intangible assets consist of bond issuance costs. Bond issuance costs related to the financing described in Note H are amortized on a straight-line basis over the life of the related bonds.

12. Income Tax

The Organization's entities are exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and are not considered private foundations. None of the Organizations' activities, with the exception of International, (See Note T) are subject to the tax on unrelated business income.

Under ASC topic, *Accounting for Income Taxes*, the Organization is required 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. Tax years ending June 30, 2010 and after are still open.

13. 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.

14. Advertising

Advertising costs are charged to operations when incurred. The Organization had no significant direct-response advertising. Management has determined that advertising expense for the years ended June 30, 2013 and 2012 was not material.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

15. Acquisition Accounting

In accordance with ASC, upon the acquisition of a new affiliate, the Organization recognizes all identifiable assets and liabilities acquired at their fair value at the date of the acquisition. Any difference between the value of the assets and liabilities acquired is recognized in the consolidated statements of activities as a gain on acquisition of new affiliate.

16. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 16, 2013, the date the consolidated financial statements were available to be issued.

17. Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation.

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Major classes of land, buildings and equipment at June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 4,228,810	\$ 3,662,284
Buildings and improvements	37,301,358	32,529,469
Land improvements	246,975	246,975
Automobiles	5,788,331	4,792,369
Furnishings and equipment	16,823,102	19,180,478
Leasehold improvements	2,477,912	2,236,451
Construction in progress	<u>860,335</u>	<u>2,195,347</u>
Total land, buildings and equipment	67,726,823	64,843,373
Less: accumulated depreciation	<u>31,484,955</u>	<u>31,591,812</u>
Net land, buildings and equipment	<u>\$36,241,868</u>	<u>\$33,251,561</u>

Depreciation on these assets for the years ended June 30, 2013 and 2012 was \$3,493,964 and \$3,209,760, respectively.

NOTE D – INTANGIBLE ASSETS

Intangible assets at June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Bond issue costs	\$ 261,455	\$ 261,455
Less: accumulated amortization	<u>72,130</u>	<u>55,870</u>
Net intangible assets	<u>\$ 189,325</u>	<u>\$ 205,585</u>

Amortization expense was \$16,260 and \$16,050 for the years ended June 30, 2013 and 2012, respectively. Amortization expense for the next five years will be \$16,260 each year.

NOTE E – INVESTMENTS

Investments included in the Organization's consolidated statements of financial position at June 30, 2013 and 2012 are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Corporate bonds	\$ 1,469,989	\$ 1,377,829	\$ 723,960	\$ 1,028,576
Common stocks	2,586,931	3,288,390	1,843,306	1,934,038
Mutual funds	513,699	699,980	412,863	509,314
Certificates of deposit	<u>285,163</u>	<u>284,734</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,855,782</u>	<u>\$ 5,650,933</u>	<u>\$ 2,980,129</u>	<u>\$ 3,471,929</u>

As described in Note L, included in the above investments are temporarily restricted investments in the amount of \$173,728 and \$150,172 as of June 30, 2013 and 2012, respectively. As described in Note M, included in the above investments are permanently restricted investments in the amount of \$1,086,576 and \$879,567 as of June 30, 2013 and 2012, respectively.

The following schedule summarizes the investment income and its classification in the consolidated statements of activities for the years ended June 30, 2013 and 2012:

	<u>2013</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 119,907	\$ 5,733	\$ 10,882	\$ 136,522
Gains (losses) - net	<u>516,033</u>	<u>17,823</u>	<u>237,927</u>	<u>771,783</u>
	<u>\$ 635,940</u>	<u>\$ 23,556</u>	<u>\$ 248,809</u>	<u>\$ 908,305</u>

NOTE E – INVESTMENTS – Continued

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 81,330	\$ 2,377	\$ 8,911	\$ 92,618
Gains (losses) - net	<u>204,146</u>	<u>(2,022)</u>	<u>(3,800)</u>	<u>198,324</u>
	<u>\$ 285,476</u>	<u>\$ 355</u>	<u>\$ 5,111</u>	<u>\$ 290,942</u>

Endowment Investment and Spending Policies

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of amounts sufficient to fund the activities to which the gifts relate, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average annual rate of return in excess of the S&P 500 Index for equity securities, and the Barclays Intermediate Bond Fund for fixed income investments. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

NOTE E – INVESTMENTS – Continued

Changes in donor restricted endowment net assets were as follows as of June 30:

	2013			Total Net Endowment Assets
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment, beginning of year	\$ 265,055	\$ -	\$ 1,057,862	\$ 1,322,917
Contributions	-	-	995	995
Investment income	<u>26,274</u>	<u>-</u>	<u>248,809</u>	<u>275,083</u>
Endowment, end of year	<u>\$ 291,329</u>	<u>\$ -</u>	<u>\$ 1,307,666</u>	<u>\$ 1,598,995</u>

	2012			Total Net Endowment Assets
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment, beginning of year	\$ 234,152	\$ -	\$ 1,031,641	\$ 1,265,793
Contributions	-	-	21,110	21,110
Investment income	<u>30,903</u>	<u>-</u>	<u>5,111</u>	<u>36,014</u>
Endowment, end of year	<u>\$ 265,055</u>	<u>\$ -</u>	<u>\$ 1,057,862</u>	<u>\$ 1,322,917</u>

NOTE F – FAIR VALUE MEASUREMENTS

ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE F – FAIR VALUE MEASUREMENTS – Continued

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2013 and 2012.

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 bonds: Bonds relate to treasury curve and the spread off the treasury curve and the prices were not readily observable but instead mathematical calculations were used to obtain the final calculation.

Certificates of deposit: Valued at the amount that could be realized if the deposit were to be withdrawn at the statement of financial position date.

Interest rate swap: Valued using discounted cash flow calculations based upon forward interest-rate yield curves. The curves were obtained from independent pricing services reflecting broker market quotes. The fair values are adjusted for counter-party 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.

NOTE F – FAIR VALUE MEASUREMENTS – Continued

The following table is set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of:

	2013			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 284,734	\$ -	\$ -	\$ 284,734
Common stocks				
Basic materials	414,681	-	-	414,681
Consumer goods	60,229	-	-	60,229
Financial	443,618	-	-	443,618
Healthcare	75,608	-	-	75,608
Industrial goods	576,716	-	-	576,716
Services	575,053	-	-	575,053
Technology	994,996	-	-	994,996
Utilities	59,007	-	-	59,007
Other	88,482	-	-	88,482
Total common stocks	3,288,390	-	-	3,288,390
Mutual funds				
Moderate allocation fund	215,166	-	-	215,166
Large blend fund	484,814	-	-	484,814
Total mutual funds	699,980	-	-	699,980
Bonds				
A1	-	25,089	-	25,089
A2	-	10,268	-	10,268
A3	-	98,543	-	98,543
Aa1	-	25,916	-	25,916
Aa3	-	25,863	-	25,863
B	-	38,760	-	38,760
B-	-	81,861	-	81,861
Ba1	-	59,790	-	59,790
Baa1	-	171,366	-	171,366
Baa2	-	113,545	-	113,545
Baa3	-	134,631	-	134,631
CAA1	-	396,200	-	396,200
Total bonds	-	1,377,829	-	1,377,829
Interest rate swap	-	(437,446)	-	(437,446)
Total assets at fair value	\$ 4,273,104	\$ 940,383	\$ -	\$ 5,213,487

NOTE F – FAIR VALUE MEASUREMENTS – Continued

	<u>2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks				
Basic materials	\$ 230,716	\$ -	\$ -	\$ 230,716
Consumer goods	16,669	-	-	16,669
Financial	320,039	-	-	320,039
Healthcare	75,489	-	-	75,489
Industrial goods	284,007	-	-	284,007
Services	289,412	-	-	289,412
Technology	663,476	-	-	663,476
Utilities	54,230	-	-	54,230
Total common stocks	<u>1,934,038</u>	<u>-</u>	<u>-</u>	<u>1,934,038</u>
Mutual funds				
Moderate allocation fund	157,303	-	-	157,303
Large blend fund	352,012	-	-	352,012
Total mutual funds	<u>509,315</u>	<u>-</u>	<u>-</u>	<u>509,315</u>
Bonds				
A1	-	24,894	-	24,894
A3	-	27,440	-	27,440
Aa3	-	25,595	-	25,595
Aaa	-	26,138	-	26,138
B+	-	38,123	-	38,123
B-	-	39,053	-	39,053
B1	-	187,369	-	187,369
B2	-	73,590	-	73,590
Ba1	-	86,735	-	86,735
Baa1	-	106,636	-	106,636
Baa2	-	77,340	-	77,340
Baa3	-	91,114	-	91,114
CAA1	-	75,941	-	75,941
Convertible bonds	-	148,608	-	148,608
Total bonds	<u>-</u>	<u>1,028,576</u>	<u>-</u>	<u>1,028,576</u>
Interest rate swap	<u>-</u>	<u>(602,465)</u>	<u>-</u>	<u>(602,465)</u>
Total assets at fair value	<u>\$ 2,443,353</u>	<u>\$ 426,111</u>	<u>\$ -</u>	<u>\$ 2,869,464</u>

NOTE G – SHORT-TERM BORROWINGS

International has a \$7,500,000 revolving credit note (loan) with PNC Bank (PNC) due on demand. On April 30, 2012, the loan limit was decreased to \$6,250,000. The loan requires the Organization to comply with several covenants. The loan is collateralized by most properties of Chimes – Maryland, is cross-collateralized and cross-defaulted with all other loans to the borrower and related entities. The loan bears interest at the Daily LIBOR Rate plus three percent (3.24% as of June 30, 2013 and 2012). The loan is scheduled to expire June 30, 2014. The outstanding balance at June 30, 2013 and 2012 was \$4,964,286 and \$2,683,671, respectively.

Chimes – DC has a \$10,000,000 revolving credit note (loan) with PNC, due on demand. The loan is collateralized by a first lien on certain accounts receivable, and is cross-collateralized and cross-defaulted with all other loans to the borrower and related entities. The loan bears interest at the Daily LIBOR Rate plus three percent (3.24% as of June 30, 2013 and 2012). The loan is scheduled to expire June 30, 2014. The outstanding balance at June 30, 2013 and 2012 was \$3,527,650 and \$3,554,068, respectively.

Holcomb has a \$1,500,000 working capital line of credit (working capital line) with Susquehanna Bank (Susquehanna) collateralized by business assets bearing interest at Susquehanna's prime rate minus .50%, but not to be less than 4.00% (4.00% as of June 30, 2013 and 2012). The working capital line expires on September 26, 2014. The outstanding balance at June 30, 2013 and 2012 was \$500,000 and \$100,000, respectively. Subsequent to year end, Susquehanna reduced the interest rate floor from 4.00% to 3.50%.

Holcomb also has a \$500,000 real estate purchasing agent line of credit (real estate line) with Susquehanna bearing interest at Susquehanna's prime rate minus .50%, but not to be less than 4.25% (4.25% as of June 30, 2013 and 2012). The real estate line is collateralized by four properties, three of which are being held as mortgages by Susquehanna (See Note I) and one that is directly owned by Holcomb. The real estate line expires on February 28, 2014. There were no outstanding borrowings as of June 30, 2013 and 2012.

Family Services has a \$25,000 revolving line of credit with PNC collateralized by business assets bearing interest at PNC's prime rate plus 1% (4.25% for each of the years ending June 30, 2013 and 2012). There were no outstanding borrowings as of June 30, 2013 and 2012.

FCR had a \$125,000 revolving line of credit with Metro Bank collateralized by business assets bearing interest at Prime rate plus 1%. Effective September 2012, the line of credit availability was increased to \$300,000 with an interest rate floor of 4.25%. The line of credit is guaranteed by Holcomb and Holcomb has to comply with a debt coverage ratio covenant. As of June 30, 2013, Metro Bank waived the covenant. The outstanding balance at June 30, 2013 was \$175,000.

NOTE H – BONDS PAYABLE

Maryland Health and Higher Educational Facilities Authority – 2008 Series

On October 27, 2008 Maryland Health and Higher Educational Facilities Authority (MHHEFA) issued \$5,610,000 revenue bonds (Series 2008) to Chimes – Maryland. The purpose of the bonds are to finance and refinance a portion of the costs of the acquisition, construction, renovation and equipping of Chimes School (the School) (a non-collegiate educational facility) and to pay off three outstanding bonds. The payment of the bonds are secured by an irrevocable, transferable letter of credit from PNC, which expires April 30, 2014. The bonds mature July 1, 2033 and bear interest at a convertible interest rate. The bonds payable balance as of June 30, 2013 and 2012 was \$4,832,219 and \$4,977,960, respectively.

In December 2008, Chimes – Maryland executed an interest rate swap agreement in the initial notional amount of \$5,610,000 to limit the exposure on the floating interest rate of the Series 2002 Bonds to a fixed interest rate of 3.03%. The agreement terminates July 1, 2019. For the years ended June 30, 2013 and 2012, respectively Chimes – Maryland recognized an unrealized gain (loss) related to the swap in the amounts of \$165,019 and \$(330,596).

Delaware Economic Development Authority Revenue Bonds – Series 2010

On December 29, 2010 the Delaware Economic Development Authority (DEDA) issued \$2,500,000 revenue bonds (Series 2010) to Chimes – Delaware. The purpose of the bonds are to refinance seven homes purchased on the line of credit from a related party and to refinance two homes that were financed with Wilmington Trust (see Note I). In addition, proceeds were used to purchase land and will be used to construct a new barrier free home in Delaware. The payment of the bonds are secured by first lien mortgages and security interests for ten properties. The bonds require the Organization to have audited consolidated financial statements due no more than 120 days after year end, but this requirement has been waived for the year ending June 30, 2013. The bonds also require the Organization to comply with several other covenants. The bonds mature December 29, 2020, and bear interest at the greater of 67% of the Federal Home Loan Board Rate plus 365 basis points or 4%. The bonds payable balance as of June 30, 2013 and 2012 was \$2,192,026 and \$2,269,497, respectively.

Principal payable maturities of the bonds for the next five years and thereafter as of June 30, 2013 are as follows:

Years ending June 30, 2014	\$	242,614
2015		251,235
2016		170,000
2017		175,000
2018		185,000
Thereafter		<u>6,000,396</u>
		7,024,245
Less: current maturities		<u>242,614</u>
	\$	<u><u>6,781,631</u></u>

Interest expense related to lines of credit, bonds payable, mortgages and notes payable and capital leases included in the consolidated statements of activities for the years ended June 30, 2013 and 2012 was \$575,330 and \$569,264, respectively.

NOTE I – MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable at June 30, are as follows:	<u>2013</u>	<u>2012</u>
Mortgage payable to bank, payable until February 2015, monthly installments of \$469 including interest at 7.75%, collateralized by a building.	\$ 8,769	\$ 13,513
Mortgage payable to bank, payable until December 2017, monthly installments of \$8,400 including interest at 4.16%, collateralized by real property and improvements thereon. Balance is due in full in December 2017.	1,327,320	-
Mortgage payable to a bank dated March 1, 1999, collateralized by the property at 290 Kirk Lane, Media, Pennsylvania. The loan is for a term of 300 months with a variable interest rate based on the bank's base lending rate. Currently, the monthly payment of principal and interest is \$1,120, with interest at 4.35% per annum.	104,468	111,566
Mortgage payable to a bank dated May 12, 1999, collateralized by the property at 1053 Glenn Hall Road, Kennett Square, Pennsylvania. The loan is for a term of 300 months with interest at 5.48% per annum and is subject to adjustment every 60 months to the average five-year U.S. Treasury constant maturities yield in effect 30 days prior to the adjustment date. The rate at June 30, 2013 and 2012 was 4.23%. Currently, the monthly payment of principal and interest is \$1,973.	211,805	224,807
Mortgage payable to a bank dated August 26, 1999, collateralized by the property at 515 Cherry Tree Road, Aston, Pennsylvania. The loan is for a term of 300 months with a variable interest rate of 5.875% at June 30, 2013. Currently, the monthly payment of principal and interest is \$1,464.	142,358	151,204
Mortgage payable to a bank dated August 3, 2010 collateralized by the property at 920 Baltimore Avenue, Kennett Square, Pennsylvania. The loan is for a term of 292 months with an interest rate of 4.5%. Currently, the monthly payment of principal and interest is \$6,287 with the note maturing November 1, 2034. The Organization has to comply with certain covenants.	<u>1,025,622</u>	<u>1,054,670</u>
Sub-total balance forward	<u>\$ 2,820,342</u>	<u>\$ 1,555,760</u>

NOTE I – MORTGAGES AND NOTES PAYABLE – Continued

	<u>2013</u>	<u>2012</u>
Sub-total carried forward	\$ 2,820,342	\$ 1,555,760
Mortgage payable to a bank dated June 22, 2000, collateralized by the property at 115 Burmont Road, Drexel Hill, Pennsylvania. The loan is for a term of 300 months with a variable interest rate of 2.0% above the five-year U.S. Treasury constant maturities rate. Currently, the monthly payment of principal and interest is \$1,078, with interest at the current rate of 4.125% per annum.	122,729	130,379
Mortgage payable to a bank with interest payable at 7% until September 2012. Effective September 2012, the interest rate was reduced to 4.99% until September 2013 at which time the interest rate shall be changed to Wall Street Journal Prime plus 1%, with an interest rate floor of 4.5%; mortgage collateralized by land and building at 3995 East Market Street; matures September 2027; monthly payments of principal and interest of \$4,440 through September 2013 and will be \$5,239 from October 2013 until maturity, guaranteed by Holcomb. Holcomb has to comply with a debt coverage ratio covenant. As of June 30, 2013, the bank waived this covenant.	653,426	-
Note payable to a bank with interest payable at 7% until September 2012. Effective September 2012, the interest rate was reduced to 4.99% until September 2013 at which time the interest rate shall be changed to Wall Street Journal Prime plus 1%, with an interest rate floor of 4.5%; mortgage collateralized by a second mortgage on the Organization's real estate; matures September 2027; monthly payments of principal and interest of \$2,314 through September 2013 and will be \$3,145 from October 2013 until maturity, guaranteed by Holcomb. Holcomb has to comply with a debt coverage ratio covenant. As of June 30, 2013, the bank waived this covenant.	281,532	-
Mortgage payable to a bank dated October 22, 1999 collateralized by the property at 718 North Bridge Street, Elkton, Maryland. The loan term was 360 months with the interest rate adjusted every five years, with the rate adjustment limited to 2% up or down. The monthly payment of principal and interest was \$1,761, with interest at a rate of 6.75%. During the current year, this mortgage was paid off in full.	-	194,310
Total	3,878,029	1,880,449
Less: current maturities	173,012	193,574
	<u>\$ 3,705,017</u>	<u>\$ 1,686,875</u>

NOTE I – MORTGAGES AND NOTES PAYABLE – Continued

Payments of principal during the next five years and thereafter as of June 30, 2013, are as follows:

Years ending June 30, 2014	\$ 173,012
2015	185,619
2016	189,158
2017	200,783
2018	1,293,697
Thereafter	<u>1,835,760</u>
	<u>\$ 3,878,029</u>

NOTE J – CAPITAL LEASE OBLIGATIONS

The Organization has capitalized leases for furnishings and equipment included in land, buildings and equipment as follows:

	<u>2013</u>	<u>2012</u>
Furnishings and equipment	\$ 63,551	\$ 63,551
Less: accumulated depreciation	<u>34,436</u>	<u>20,899</u>
Net furnishings and equipment	<u>\$ 29,115</u>	<u>\$ 42,652</u>

Future minimum lease payments at June 30, 2013 are \$11,737 to be paid during the year ending June 30, 2014, including \$220 of interest. The present value of capital lease obligation at June 30, 2013 is \$11,517, which is included in the current maturities of long-term debt on the consolidated statements of financial position.

NOTE K – BOARD DESIGNATED NET ASSETS

Board designated net assets of \$13,249 and \$11,444 as of June 30, 2013 and 2012, respectively, were available for the purpose of the Parnella Fund.

NOTE L – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2013 and 2012, was available for the following purposes:

	<u>2013</u>	<u>2012</u>
Tina Hyatt Fund	\$ 173,728	\$ 150,172
Delaware capital campaign	<u>405,944</u>	<u>405,944</u>
	<u>\$ 579,672</u>	<u>\$ 556,116</u>

In 2012, Chimes – Delaware made a temporarily restricted contribution of \$400,000 to The Chimes Foundation. Use of the funds is restricted to uses to be approved by the Board of Directors of Chimes – Delaware. The balance in this temporarily restricted fund was \$423,576 and \$400,000 as of June 30, 2013 and 2012, respectively, and has been eliminated on these consolidated financial statements.

NOTE M – PERMANENTLY RESTRICTED NET ASSETS

In 1995, The Chimes Foundation received \$100,000 from The Harry and Jeanette Weinberg Foundation, Incorporated (Weinberg Foundation) to establish an endowment fund called The Harry and Jeanette Weinberg Futures Fund (Weinberg Futures Fund), with \$200,000 in matching funds raised by The Chimes Foundation. In 1996, The Chimes Foundation received an additional \$100,000 from the Weinberg Foundation with \$200,000 in matching funds raised by The Chimes Foundation to contribute further to the Weinberg Futures Fund.

In 1999, The Chimes Foundation received an additional \$150,000 from the Weinberg Foundation with \$150,000 in matching funds raised by The Chimes Foundation to contribute further to the Weinberg Futures Fund. For years after 1999 no additional receipts were received from the Weinberg Foundation and no matching funds were raised. The Weinberg Futures Fund's purpose is to provide services to individuals who require financial assistance to participate in the programs that The Chimes Foundation supports. Although informally identified, management has not formally named an account or investment in the name of the Weinberg Futures Fund.

The endowment agreement requires that 30% of the dividend and interest investment income and all realized or unrealized gains and losses generated by those funds be retained to maintain and increase purchasing power for future distributions. As of June 30, 2013 and 2012, The Chimes Foundation had segregated those earnings and added them to the informally identified investment.

In 2012, The Chimes Foundation received \$20,000 to establish an award in the name of Ina and Norman Lampner. Additional gifts totaling \$995 and \$1,110 were received during the years ended June 30, 2013 and 2012, respectively. The corpus of these funds is permanently restricted. Earnings on the corpus are temporarily restricted in accordance with the gift agreement.

Permanently restricted net assets as of June 30, 2013 and 2012, consist of the following:

	<u>2013</u>	<u>2012</u>
Weinberg Endowment Fund	\$ 1,285,561	\$ 1,036,752
Ina and Norman Lampner Fund	<u>22,105</u>	<u>21,110</u>
	<u>\$ 1,307,666</u>	<u>\$ 1,057,862</u>

NOTE N – RETIREMENT PLANS

In 1994, Chimes – Maryland (assigned to International effective July 1, 2004) established a nonqualified severance plan for certain administrative employees. Discretionary contributions are to be made to the plan on an annual basis. Contribution expense for the years ended June 30, 2013 and 2012 was \$93,225 and \$93,941, respectively. Contributions are paid into a separate restricted trust account for the plan with investments subject to the discretion of the qualified participants. The maximum aggregated benefits are limited by the terms of the agreement.

Effective January 1, 2000, Holcomb adopted the “Holcomb Associates, Inc. 403(b) Plan” which matches employee contributions at 50% up to 6% of annual salary, with 100% vesting after five years of participation. Contributions for the years ended June 30, 2013 and 2012 were \$103,408 and \$87,470, respectively.

NOTE N – RETIREMENT PLANS – Continued

Effective July 1, 2004, Chimes – Maryland established a 403(b) plan covering substantially all employees earning \$80,000 or more. Since inception, the plan floor has periodically increased. Beginning with the year ending June 30, 2009, the ceiling increased to \$100,000. Chimes – Maryland, Chimes – Delaware, Chimes – VA, and International all participate in this plan. This plan was restated on January 1, 2009, and the plan floor was removed. 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, 2013 and 2012, was \$1,147,582 and \$1,062,816, respectively.

Effective January 1, 2006, Chimes – DC participates in a 401(a) defined contribution retirement plan. Under the plan, participation is limited to certain administrative personnel with a contribution equaling 2% of the covered employees' salary. Contributions to the 401(a) Plan for the years ended June 30, 2013 and 2012 were \$42,608 and \$42,359, respectively

Effective January 1, 2006, Chimes – DC established a 403(b) plan that is only a deferral and is open to all employees of Chimes – DC. There were no employer contributions to this plan.

Effective December 1, 2011 Holcomb established a deferred compensation plan under IRC 457(b) for one of its officers. The assets are invested in the Holcomb's name and, accordingly a deferred compensation liability of equal amount is recorded on the statements of financial position. Contribution expense was \$10,000 and \$25,000 for the years ended June 30, 2013 and 2012, respectively. The deferred compensation asset and corresponding liability account balances was \$36,042 and \$26,140 for the years ended June 30, 2013 and 2012, respectively.

Effective January 1, 2013 Chimes – Delaware entered into an employment agreement under which severance benefits are to be provided to one of its officers. Contribution expense for the year ended June 30, 2013 and the related liability at that date were \$36,281.

FCR maintains a 403(b) Thrift Plan that covers all employees who have met certain service requirements. FCR's contribution is at the discretion of the board of directors and was set at 4% of participants' compensation through September 2009 and 0% thereafter. There was no matching contribution to the plan for the year ended June 30, 2013.

NOTE O – POSTEMPLOYMENT BENEFIT OBLIGATION

International has a postretirement health insurance plan for certain individuals. The postretirement health insurance plan provides for continued life-time health coverage for the employees upon retirement until the latter of their death or the death of their spouse. International has accrued a liability for these projected amounts based upon actuarial calculations and the related assumptions.

The following table sets forth the plans' funded status and amounts recognized in the financial statements at June 30:

NOTE O – POSTEMPLOYMENT BENEFIT OBLIGATION – Continued

Obligations and Funded Status

	<u>2013</u>	<u>2012</u>
Benefit obligation	\$ 927,732	\$ 874,977
Plan assets at fair value	-	-
Funded status - under	<u>\$ (927,732)</u>	<u>\$ (874,977)</u>
Accumulated benefit obligation	N/A	N/A
Employer contributions	19,631	18,398
Benefits paid	-	-

Amounts recognized in the consolidated statements of financial position consist of:

Noncurrent assets	\$ -	\$ -
Current liabilities	-	-
Noncurrent liabilities	927,732	874,977

Amounts recognized in the consolidated statements of activities consist of:

Transition obligation	\$ 19,894	\$ 28,860
Net (gain) loss	<u>32,861</u>	<u>19,921</u>

Amounts recognized in unrestricted net assets,

not yet recognized as periodic costs	<u>\$ 52,755</u>	<u>\$ 48,781</u>
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Assumptions used in the actuarial calculations above were as follows at June 30, 2013 and 2012:

Discount rate	5.00%
Inflation rate	2.80%
Expected long-term rate of return on assets	N/A
Rate of compensation increase	N/A

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. Assumptions used in the actuarial calculations above were as follows at June 30, 2013 and 2012:

Health care cost trend rate assumed for next year	7.0%
Rate to which the cost trend is assumed to decline	4.3%
Year that the rate reaches the ultimate trend rate	2070

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	<i>1%</i>	<i>1%</i>
	<u>Increase</u>	<u>Decrease</u>
Effect on postemployment benefit obligation	\$ 127,977	\$ 107,452

NOTE O – POSTEMPLOYMENT BENEFIT OBLIGATION – Continued

Employer contributions expected to be made in 2014 total \$17,670 for postemployment obligations. Total expected benefit payments for the next 10 fiscal years are as follows:

Year Ended June	
2014	\$ 16,361
2015	12,373
2016	37,338
2017	39,570
2018	63,497
7/1/2018 - 6/30/2023	318,654

NOTE P – DEFERRED RENT

Holcomb’s lease agreement for its administrative office has a provision for rent payments with fixed annual increases. In accordance with generally accepted accounting principles, the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for consolidated financial statement purposes is recorded as deferred rent.

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

Years ending June 30,	2014	\$ 73,402
	2015	43,983
	2016	21,825
	2017	53,248
	2018	(7,680)
	Thereafter	<u>(211,356)</u>
		<u>\$ (26,578)</u>

NOTE Q – COMMITMENTS AND CONTINGENCIES

The States of Maryland, Delaware, 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) as compensation for procuring Federal government contracts for Chimes – DC in the amount of 4% of cash received for services from those contracts. Fees paid to Source America for the years ended June 30, 2013 and 2012 totaled \$1,952,629 and \$1,924,804, respectively.

NOTE Q – COMMITMENTS AND CONTINGENCIES – Continued

The Organization leases numerous residences and buildings for its clients and administration that are treated as operating leases. The future minimum lease payments as of June 30, 2013 are as follows:

Years ending June 30, 2014	\$ 2,321,973
2015	1,543,080
2016	1,284,888
2017	1,042,335
2018	556,328
Thereafter	1,865,105

Rent expense included in facilities expense on the consolidated statements of functional expenses for the years ended June 30, 2013 and 2012 was \$3,863,718 and \$3,640,678, respectively.

The Organization acts as an agent on behalf of individuals served regarding the holding of client cash funds. At June 30, 2013 and 2012, the Organization was holding \$839,186 and \$701,178, respectively, in client funds, which have not been reflected in these consolidated financial statements.

Legal Contingencies:

The Organization is involved in litigation arising in the ordinary course of business. While 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 several letters of credits with PNC. At June 30, 2013 and 2012, the letters of credit to ensure payment for workers compensation insurance totaled \$4,210,000 and \$4,300,000, respectively. At June 30, 2013 and 2012, the letter of credit to ensure payment of the MHHEFA Bond (see Note H) was \$4,832,219 and \$4,977,960, respectively.

NOTE R – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest during the years ended June 30, 2013 and 2012, was \$577,250 and \$565,983, respectively.

During the year ended June 30, 2012, the Organization received \$266,225 from the DEDA bonds (see Note H), which was used to acquire a property.

NOTE S – DUE FROM/TO THIRD-PARTY PAYOR

Amounts due to third-party payor include monies the Organization received in excess of grant funds for room and board, which is due back to the state. The Organization's total amount due to third-party payors as of June 30, 2013 and 2012 is \$1,137,017 and \$1,941,550, respectively.

NOTE T – INVESTMENT IN CLOSELY HELD COMPANY

As of June 30, 2013, The Chimes Foundation held a 49% interest in a closely held corporation (The Corporation) with no capital investment. The Corporation operates on a calendar year and reported operating losses during the initial year of operations. The Chimes Foundation loaned the Corporation \$290,000 in connection with start up, and makes additional short-term loans to the Corporation from time to time, with interest payable at a rate of prime plus 2% adjusted monthly. There was no balance for each of the years ended June 30, 2013 and 2012. The agreement states that International, which provides accounting and payroll services, receives a management fee of 3% of the Corporation's gross revenues. Total management fee income was \$82,810 and \$129,902 for the years ending June 30, 2013 and 2012, respectively. This fee is taxable under Internal Revenue Code Section 512. For the years ended June 30, 2013 and 2012, there was no liability for unrelated business income taxes.

NOTE U – GAIN ON ACQUISITION OF FAMILY-CHILD RESOURCES, INC.

The fair value of the identifiable assets acquired upon the acquisition of FCR exceeded the fair value of the liabilities assumed by \$701,651. Accordingly, a gain on acquisition of Family-Child Resources, Inc. in the amount of \$701,651 has been included in the consolidated statements of activities.

NOTE V – RESTATEMENT – CORRECTION OF AN ERROR

During the current year, the Organization determined that it had not recorded the fair market value of the Organization's interest rate swap (see Notes F and H) in the consolidated financial statements. Accordingly, the Organization restated the accounts affected by the interest rate swap as of June 30, 2011. This restatement resulted in recording the liability of \$271,869 for the interest rate swap and a decrease in net assets by \$271,869 as of June 30, 2011.

Additionally, the Organization determined that it had not recorded the liability relating to future health insurance payments to be made for certain employees as a retirement benefit (see Note O). Accordingly, the Organization restated the balance for deferred compensation and postemployment benefit obligations and net assets as of June 30, 2011. This restatement resulted in increasing deferred compensation and postemployment benefit obligations by \$826,196, and a decrease in net assets of \$826,196 as of June 30, 2011.

This restatement had the following effects on the financial statements for the year ending June 30, 2012 in comparison to the previously issued financial statements. Additional administrative expenses of \$48,781 and a loss on interest rate swap of \$330,596 were included in the consolidated statements of activities for the year ended June 30, 2012. In the consolidated statements of financial position, deferred compensation and postemployment benefit obligations were increased by \$874,977 and the liability for the interest rate swap was increased by \$602,465, and a decrease in net assets of \$1,477,472 as of June 30, 2012.

SUPPLEMENTARY INFORMATION



GORFINE, SCHILLER & GARDYN, P.A.
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

REPORT ON SUPPLEMENTARY INFORMATION

Independent Auditors' Report

**To The Board of Directors and Officers
Chimes International Limited and Related Entities**

We have audited the consolidated financial statements of Chimes International Limited and Related Entities as of and for the year ended June 30, 2013 and 2012, and have issued our report thereon dated December 16, 2013, which contained an unqualified opinion on those consolidated financial statements.

Report on Supplementary Consolidating Information

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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.

Gorfine, Schiller & Gardyn, P.A.

**December 16, 2013
Owings Mills, Maryland**

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2013

	The Chimes, Inc.	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 180,331	\$ 3,400,618	\$ 85,757	\$ 18,295	\$ 694,719
Accounts receivable, net of allowance for doubtful accounts	1,187,418	2,882,075	15,060,686	769,097	56,188
Pledges receivable	-	-	-	-	-
Prepaid expenses	176,029	98,787	64,544	40,652	369,001
Notes receivable from affiliates, current portion	-	-	-	-	-
Investments, current	-	-	-	-	-
Due from related parties	<u>16,879,610</u>	<u>-</u>	<u>16,034,134</u>	<u>2,435,011</u>	<u>17,697,893</u>
Total current assets	<u>18,423,388</u>	<u>6,381,480</u>	<u>31,245,121</u>	<u>3,263,055</u>	<u>18,817,801</u>
NONCURRENT ASSETS					
Land, buildings and equipment, net of accumulated depreciation	18,986,754	6,470,647	1,379,068	1,074,276	1,953,988
Intangible assets, net of accumulated amortization	123,126	66,199	-	-	-
Long-term pledges receivable, net	-	-	-	-	-
Note receivable from affiliates, net	-	-	-	-	-
Cash - deferred compensation	-	-	-	-	-
Investments, long-term	-	-	-	-	-
Other noncurrent assets	<u>31,962</u>	<u>86,953</u>	<u>11,697</u>	<u>41,467</u>	<u>119,622</u>
Total noncurrent assets	<u>19,141,842</u>	<u>6,623,799</u>	<u>1,390,765</u>	<u>1,115,743</u>	<u>2,073,610</u>
 TOTAL ASSETS	 <u>\$ 37,565,230</u>	 <u>\$ 13,005,279</u>	 <u>\$ 32,635,886</u>	 <u>\$ 4,378,798</u>	 <u>\$ 20,891,411</u>

See auditors' report on supplementary information.

<u>Family Child Resources, Inc.</u>	<u>Family Services Association, Inc.</u>	<u>Holcomb Associates, Inc.</u>	<u>Open Door, Inc.</u>	<u>Chimes Foundation, Incorporated</u>	<u>Eliminations</u>	<u>Totals</u>
\$ 60,511	\$ 6,437	\$ 37,883	\$ 41,982	\$ 3,392,346	\$ -	\$ 7,918,879
144,222	4,178	3,150,757	81,313	-	-	23,335,934
-	-	-	-	84,649	-	84,649
2,473	-	231,692	17,797	-	-	1,000,975
-	-	-	-	197,933	(197,933)	-
-	-	-	-	4,564,357	-	4,564,357
-	-	606,989	374,715	26,593	(54,054,945)	-
<u>207,206</u>	<u>10,615</u>	<u>4,027,321</u>	<u>515,807</u>	<u>8,265,878</u>	<u>(54,252,878)</u>	<u>36,904,794</u>
1,563,285	215,185	4,243,336	355,329	-	-	36,241,868
-	-	-	-	-	-	189,325
-	-	-	-	418,138	-	418,138
-	-	-	-	1,227,626	(1,227,626)	-
-	-	36,042	-	-	-	36,042
-	-	-	-	1,086,576	-	1,086,576
-	-	114,619	-	4,367	-	410,687
<u>1,563,285</u>	<u>215,185</u>	<u>4,393,997</u>	<u>355,329</u>	<u>2,736,707</u>	<u>(1,227,626)</u>	<u>38,382,636</u>
<u>\$ 1,770,491</u>	<u>\$ 225,800</u>	<u>\$ 8,421,318</u>	<u>\$ 871,136</u>	<u>\$ 11,002,585</u>	<u>\$ (55,480,504)</u>	<u>\$ 75,287,430</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION - CONTINUED

June 30, 2013

	The Chimes, Inc.	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current maturities of long-term debt	\$ 297,145	\$ 193,754	\$ 11,517	\$ -	\$ -
Short-term borrowings	-	-	3,527,650	-	4,964,286
Accounts payable	778,506	280,999	2,293,495	79,282	539,022
Accrued expenses and other liabilities	2,336,122	1,376,464	6,910,244	265,105	3,308,382
Deferred revenue	38,998	-	54,235	-	-
Deferred rent	-	-	-	-	-
Due to third-party payors	1,130,388	-	-	6,629	-
Due to related parties	<u>18,436,535</u>	<u>3,562,312</u>	<u>14,470,988</u>	<u>2,128,264</u>	<u>13,637,604</u>
Total current liabilities	<u>23,017,694</u>	<u>5,413,529</u>	<u>27,268,129</u>	<u>2,479,280</u>	<u>22,449,294</u>
LONG-TERM LIABILITIES					
Bonds payable	4,677,219	2,104,412	-	-	-
Mortgages and notes payable	1,171,772	1,341,591	-	-	-
Interest rate swap	437,446	-	-	-	-
Deferred compensation and postemployment benefit obligation	-	36,281	-	-	927,732
Total long-term liabilities, net of current maturities	<u>6,286,437</u>	<u>3,482,284</u>	<u>-</u>	<u>-</u>	<u>927,732</u>
Total liabilities	<u>29,304,131</u>	<u>8,895,813</u>	<u>27,268,129</u>	<u>2,479,280</u>	<u>23,377,026</u>
NET ASSETS (DEFICIENCY)					
Unrestricted					
Undesignated	8,261,099	4,109,466	5,367,757	1,899,518	(2,485,615)
Board designated	-	-	-	-	-
	<u>8,261,099</u>	<u>4,109,466</u>	<u>5,367,757</u>	<u>1,899,518</u>	<u>(2,485,615)</u>
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	-	-	-
Total net assets (deficiency)	<u>8,261,099</u>	<u>4,109,466</u>	<u>5,367,757</u>	<u>1,899,518</u>	<u>(2,485,615)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,565,230</u>	<u>\$ 13,005,279</u>	<u>\$ 32,635,886</u>	<u>\$ 4,378,798</u>	<u>\$ 20,891,411</u>

See auditors' report on supplementary information.

<u>Family Child Resources, Inc.</u>	<u>Family Services Association, Inc.</u>	<u>Holcomb Associates, Inc.</u>	<u>Open Door, Inc.</u>	<u>Chimes Foundation, Incorporated</u>	<u>Eliminations</u>	<u>Totals</u>
\$ 53,123	\$ -	\$ 69,537	\$ -	\$ -	\$ (197,933)	\$ 427,143
175,000	-	500,000	-	-	-	9,166,936
26,283	7,430	496,874	16,411	71,598	-	4,589,900
110,759	2,165	1,357,468	48,619	-	-	15,715,328
3,582	-	183,475	26,900	-	-	307,190
-	-	26,578	-	-	-	26,578
-	-	-	-	-	-	1,137,017
<u>18,677</u>	<u>589,735</u>	<u>373,292</u>	<u>-</u>	<u>837,538</u>	<u>(54,054,945)</u>	<u>-</u>
<u>387,424</u>	<u>599,330</u>	<u>3,007,224</u>	<u>91,930</u>	<u>909,136</u>	<u>(54,252,878)</u>	<u>31,370,092</u>
-	-	-	-	-	-	6,781,631
881,835	-	1,537,445	-	-	(1,227,626)	3,705,017
-	-	-	-	-	-	437,446
-	-	36,042	-	-	-	1,000,055
<u>881,835</u>	<u>-</u>	<u>1,573,487</u>	<u>-</u>	<u>-</u>	<u>(1,227,626)</u>	<u>11,924,149</u>
<u>1,269,259</u>	<u>599,330</u>	<u>4,580,711</u>	<u>91,930</u>	<u>909,136</u>	<u>(55,480,504)</u>	<u>43,294,241</u>
501,232	(373,530)	3,840,607	779,206	7,769,286	423,576	30,092,602
-	-	-	-	13,249	-	13,249
501,232	(373,530)	3,840,607	779,206	7,782,535	423,576	30,105,851
-	-	-	-	1,003,248	(423,576)	579,672
-	-	-	-	1,307,666	-	1,307,666
<u>501,232</u>	<u>(373,530)</u>	<u>3,840,607</u>	<u>779,206</u>	<u>10,093,449</u>	<u>-</u>	<u>31,993,189</u>
<u>\$ 1,770,491</u>	<u>\$ 225,800</u>	<u>\$ 8,421,318</u>	<u>\$ 871,136</u>	<u>\$ 11,002,585</u>	<u>\$ (55,480,504)</u>	<u>\$ 75,287,430</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2013

	The Chimes, Inc.	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
REVENUE AND OTHER SUPPORT					
Mental health services	\$ -	\$ -	\$ -	\$ -	\$ -
Developmental disabilities services	46,440,648	25,335,077	-	4,579,182	-
Employment contractual services	-	-	80,185,287	-	-
Management fees	-	-	-	-	8,880,167
Donations and grants	535,443	-	-	-	-
Miscellaneous	172,863	7,118	22,684	-	121,934
Fundraising income, net of fundraising expenses of \$354,651	-	-	-	-	-
Total revenue, gains and other support	<u>47,148,954</u>	<u>25,342,195</u>	<u>80,207,971</u>	<u>4,579,182</u>	<u>9,002,101</u>
EXPENSES					
Program services					
Mental health services	-	-	-	-	-
Developmental disabilities services	41,550,005	22,152,814	-	3,599,615	-
Employment contractual services	-	-	69,525,099	-	-
Grants	-	-	-	-	-
Total program services	<u>41,550,005</u>	<u>22,152,814</u>	<u>69,525,099</u>	<u>3,599,615</u>	<u>-</u>
Supporting services					
Administrative expenses	5,742,870	3,453,291	9,154,536	817,749	8,501,482
Fundraising expenses	-	-	-	-	-
Total supporting services	<u>5,742,870</u>	<u>3,453,291</u>	<u>9,154,536</u>	<u>817,749</u>	<u>8,501,482</u>
Total expenses and losses	<u>47,292,875</u>	<u>25,606,105</u>	<u>78,679,635</u>	<u>4,417,364</u>	<u>8,501,482</u>
OPERATING INCOME	<u>(143,921)</u>	<u>(263,910)</u>	<u>1,528,336</u>	<u>161,818</u>	<u>500,619</u>
OTHER INCOME (EXPENSE)					
Investment income	-	-	-	-	-
Gain on interest rate swap	165,019	-	-	-	-
Gain (loss) on sale of assets	77,575	(3,816)	(2,021)	-	-
Net other income (expense)	<u>242,594</u>	<u>(3,816)</u>	<u>(2,021)</u>	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS					
BEFORE TRANSFER OF NET ASSETS	98,673	(267,726)	1,526,315	161,818	500,619
Gain on acquisition of Family-Child Resources, Inc.	-	-	-	-	-
CHANGES IN NET ASSETS	98,673	(267,726)	1,526,315	161,818	500,619
NET ASSETS (DEFICIENCY), Beginning	<u>8,162,426</u>	<u>4,377,192</u>	<u>3,841,442</u>	<u>1,737,700</u>	<u>(2,986,234)</u>
NET ASSETS (DEFICIENCY), Ending	<u>\$ 8,261,099</u>	<u>\$ 4,109,466</u>	<u>\$ 5,367,757</u>	<u>\$ 1,899,518</u>	<u>\$ (2,485,615)</u>

See auditors' report on supplementary information.

Family Child Resources, Inc.	Family Services Association, Inc.	Holcomb Associates, Inc.	Open Door, Inc.	Chimes Foundation, Incorporated	Eliminations	Totals
\$ 2,027,707	\$ 52,015	\$ 23,209,182	\$ 1,630,376	\$ -	\$ -	\$ 26,919,280
-	-	-	-	-	(768,982)	75,585,925
-	-	-	-	-	(759,356)	79,425,931
-	-	180,000	-	-	(8,977,357)	82,810
-	15,477	40,482	3,181	313,546	(142,121)	766,008
-	5,414	-	25,792	-	(162,263)	193,542
-	-	51,303	-	197,366	-	248,669
<u>2,027,707</u>	<u>72,906</u>	<u>23,480,967</u>	<u>1,659,349</u>	<u>510,912</u>	<u>(10,810,079)</u>	<u>183,222,165</u>
1,700,677	54,912	19,622,233	1,251,132	-	-	22,628,954
-	-	-	-	-	(1,498,321)	65,804,113
-	-	-	-	-	-	69,525,099
-	-	-	-	186,574	(142,121)	44,453
<u>1,700,677</u>	<u>54,912</u>	<u>19,622,233</u>	<u>1,251,132</u>	<u>186,574</u>	<u>(1,640,442)</u>	<u>158,002,619</u>
527,449	56,071	3,617,266	208,514	396,533	(9,268,335)	23,207,426
-	-	-	-	48,665	-	48,665
<u>527,449</u>	<u>56,071</u>	<u>3,617,266</u>	<u>208,514</u>	<u>445,198</u>	<u>(9,268,335)</u>	<u>23,256,091</u>
<u>2,228,126</u>	<u>110,983</u>	<u>23,239,499</u>	<u>1,459,646</u>	<u>631,772</u>	<u>(10,908,777)</u>	<u>181,258,710</u>
<u>(200,419)</u>	<u>(38,077)</u>	<u>241,468</u>	<u>199,703</u>	<u>(120,860)</u>	<u>98,698</u>	<u>1,963,455</u>
-	-	-	-	1,007,003	(98,698)	908,305
-	-	-	-	-	-	165,019
-	-	-	-	-	-	71,738
-	-	-	-	1,007,003	(98,698)	1,145,062
(200,419)	(38,077)	241,468	199,703	886,143	-	3,108,517
<u>701,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>701,651</u>
501,232	(38,077)	241,468	199,703	886,143	-	3,810,168
-	(335,453)	3,599,139	579,503	9,207,306	-	28,183,021
<u>\$ 501,232</u>	<u>\$ (373,530)</u>	<u>\$ 3,840,607</u>	<u>\$ 779,206</u>	<u>\$ 10,093,449</u>	<u>\$ -</u>	<u>\$ 31,993,189</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING SCHEDULE OF LAND, BUILDINGS AND EQUIPMENT
June 30, 2013

	The Chimes, Inc.	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.
Land	\$ 2,392,262	\$ 880,048	\$ -	\$ -
Buildings and improvements	25,548,452	5,318,957	-	-
Land improvements	246,975	-	-	-
Automobiles	2,634,450	519,423	1,418,358	111,974
Furnishings and equipment	3,927,113	1,277,623	3,657,473	322,852
Leasehold improvements	860,068	1,107,228	-	240,503
Construction in progress	<u>18,693</u>	<u>-</u>	<u>-</u>	<u>841,642</u>
	35,628,013	9,103,279	5,075,831	1,516,971
Less: accumulated depreciation	<u>16,641,259</u>	<u>2,632,632</u>	<u>3,696,763</u>	<u>442,695</u>
	<u>\$ 18,986,754</u>	<u>\$ 6,470,647</u>	<u>\$ 1,379,068</u>	<u>\$ 1,074,276</u>

See auditors' report on supplementary information.

<u>Chimes International Limited</u>	<u>Family Child Resources, Inc.</u>	<u>Family Services Association, Inc.</u>	<u>Holcomb Associates, Inc.</u>	<u>Open Door, Inc.</u>	<u>Totals</u>
\$ -	\$ 250,000	\$ 70,000	\$ 606,500	\$ 30,000	\$ 4,228,810
626,578	1,681,525	276,576	3,577,165	272,105	37,301,358
-	-	-	-	-	246,975
91,706	-	-	1,012,420	-	5,788,331
6,536,015	102,253	29,741	916,425	76,148	16,845,643
-	-	-	177,758	69,814	2,455,371
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>860,335</u>
7,254,299	2,033,778	376,317	6,290,268	448,067	67,726,823
<u>5,300,311</u>	<u>470,493</u>	<u>161,132</u>	<u>2,046,932</u>	<u>92,738</u>	<u>31,484,955</u>
<u>\$ 1,953,988</u>	<u>\$ 1,563,285</u>	<u>\$ 215,185</u>	<u>\$ 4,243,336</u>	<u>\$ 355,329</u>	<u>\$ 36,241,868</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2012

	The Chimes, Inc.	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 160,661	\$ 2,679,568	\$ 94,522	\$ 22,514	\$ 86,749
Accounts receivable, net of allowance for doubtful accounts	1,089,949	3,004,240	12,689,940	367,534	25,079
Pledges receivable	-	-	-	-	-
Prepaid expenses	136,533	102,570	48,940	38,598	419,488
Notes receivable from affiliates, current portion	-	-	-	-	-
Investments, current	-	-	-	-	-
Due from related party	<u>9,908,583</u>	<u>-</u>	<u>7,872,612</u>	<u>2,467,112</u>	<u>9,665,148</u>
Total current assets	<u>11,295,726</u>	<u>5,786,378</u>	<u>20,706,014</u>	<u>2,895,758</u>	<u>10,196,464</u>
NONCURRENT ASSETS					
Land, buildings and equipment, net of accumulated depreciation	18,926,380	6,501,395	1,590,242	173,514	1,828,517
Intangible assets, net of accumulated amortization	135,471	70,114	-	-	-
Long-term pledges receivable, net	-	-	-	-	-
Note receivable from affiliates, net	-	-	-	-	-
Cash - deferred compensation plan	-	-	-	-	-
Investments, long-term	-	-	-	-	-
Workers' compensation fund	-	-	-	-	-
Other noncurrent assets	<u>33,564</u>	<u>82,150</u>	<u>4,432</u>	<u>37,619</u>	<u>208,072</u>
Total noncurrent assets	<u>19,095,415</u>	<u>6,653,659</u>	<u>1,594,674</u>	<u>211,133</u>	<u>2,036,589</u>
TOTAL ASSETS	<u>\$ 30,391,141</u>	<u>\$ 12,440,037</u>	<u>\$ 22,300,688</u>	<u>\$ 3,106,891</u>	<u>\$ 12,233,053</u>

See auditors' report on supplementary information.

<u>Family Services Association, Inc.</u>	<u>Holcomb Associates, Inc.</u>	<u>Open Door, Inc.</u>	<u>Developmental Services of New Jersey, Inc.</u>	<u>Chimes Foundation, Incorporated</u>	<u>Eliminations</u>	<u>Totals</u>
\$ 72,199	\$ 117,388	\$ 319,703	\$ -	\$ 3,182,599	\$ -	\$ 6,735,903
14,164	3,124,224	78,993	-	-	-	20,394,123
-	-	-	-	202,693	-	202,693
-	242,468	12,374	-	-	-	1,000,971
-	-	-	-	211,608	(211,608)	-
-	-	-	-	2,592,362	-	2,592,362
<u>-</u>	<u>178,838</u>	<u>159,790</u>	<u>-</u>	<u>428,716</u>	<u>(30,680,799)</u>	<u>-</u>
<u>86,363</u>	<u>3,662,918</u>	<u>570,860</u>	<u>-</u>	<u>6,617,978</u>	<u>(30,892,407)</u>	<u>30,926,052</u>
223,400	3,937,510	70,603	-	-	-	\$ 33,251,561
-	-	-	-	-	-	205,585
-	-	-	-	393,795	-	393,795
-	-	-	-	1,425,558	(1,425,558)	-
-	26,140	-	-	-	-	26,140
-	-	-	-	879,567	-	879,567
<u>-</u>	<u>122,860</u>	<u>36,183</u>	<u>-</u>	<u>4,367</u>	<u>-</u>	<u>529,247</u>
<u>223,400</u>	<u>4,086,510</u>	<u>106,786</u>	<u>-</u>	<u>2,703,287</u>	<u>(1,425,558)</u>	<u>35,285,895</u>
<u>\$ 309,763</u>	<u>\$ 7,749,428</u>	<u>\$ 677,646</u>	<u>\$ -</u>	<u>\$ 9,321,265</u>	<u>\$ (32,317,965)</u>	<u>\$ 66,211,947</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

For the Year Ended June 30, 2012

	The Chimes, Inc.	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
CURRENT LIABILITIES					
Current maturities of long-term debt	\$ 303,114	\$ 142,375	\$ 21,945	\$ -	\$ -
Short term borrowings	-	-	3,554,068	-	2,683,671
Accounts payable	814,956	357,105	2,235,792	61,328	573,704
Accrued expenses and other liabilities	2,093,689	1,227,277	5,339,080	266,489	3,364,211
Deferred revenue	25,301	-	106,017	-	-
Deferred rent	-	-	-	-	-
Due to third party payors	1,934,921	-	-	6,629	-
Due to related parties	<u>10,307,392</u>	<u>4,030,318</u>	<u>7,190,827</u>	<u>1,034,745</u>	<u>7,722,724</u>
Total current liabilities	<u>15,479,373</u>	<u>5,757,075</u>	<u>18,447,729</u>	<u>1,369,191</u>	<u>14,344,310</u>
LONG-TERM LIABILITIES					
Bonds payable	4,832,960	2,185,359	-	-	-
Mortgages and notes payable	1,313,917	120,411	-	-	-
Capital lease obligations	-	-	11,517	-	-
Interest rate swap	602,465	-	-	-	-
Deferred compensation and postemployment benefit obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>874,977</u>
Total long-term liabilities, net of current maturities	<u>6,749,342</u>	<u>2,305,770</u>	<u>11,517</u>	<u>-</u>	<u>874,977</u>
Total liabilities	<u>22,228,715</u>	<u>8,062,845</u>	<u>18,459,246</u>	<u>1,369,191</u>	<u>15,219,287</u>
NET ASSETS					
Unrestricted					
Undesignated	8,162,426	4,377,192	3,841,442	1,737,700	(2,986,234)
Board designated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	8,162,426	4,377,192	3,841,442	1,737,700	(2,986,234)
Temporarily restricted	-	-	-	-	-
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>8,162,426</u>	<u>4,377,192</u>	<u>3,841,442</u>	<u>1,737,700</u>	<u>(2,986,234)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,391,141</u>	<u>\$ 12,440,037</u>	<u>\$ 22,300,688</u>	<u>\$ 3,106,891</u>	<u>\$ 12,233,053</u>

See auditors' report on supplementary information.

Family Services Association, Inc.	Holcomb Associates, Inc.	Open Door, Inc.	Developmental Services of New Jersey, Inc.	Chimes Foundation, Incorporated	Eliminations	Totals
\$ 7,219	\$ 181,612	\$ -	\$ -	\$ -	\$ (211,608)	\$ 444,657
-	100,000	-	-	-	-	6,337,739
26,856	1,089,760	9,958	-	57,794	-	5,227,253
6,373	992,737	55,870	-	-	-	13,345,726
79,049	174,705	32,315	-	-	-	417,387
-	94,321	-	-	-	-	94,321
-	-	-	-	-	-	1,941,550
<u>338,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,165</u>	<u>(30,680,799)</u>	<u>-</u>
<u>458,125</u>	<u>2,633,135</u>	<u>98,143</u>	<u>-</u>	<u>113,959</u>	<u>(30,892,407)</u>	<u>27,808,633</u>
-	-	-	-	-	-	7,018,319
187,091	1,491,014	-	-	-	(1,425,558)	1,686,875
-	-	-	-	-	-	11,517
-	-	-	-	-	-	602,465
<u>-</u>	<u>26,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>901,117</u>
<u>187,091</u>	<u>1,517,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,425,558)</u>	<u>10,220,293</u>
<u>645,216</u>	<u>4,150,289</u>	<u>98,143</u>	<u>-</u>	<u>113,959</u>	<u>(32,317,965)</u>	<u>38,028,926</u>
(335,453)	3,599,139	579,503	-	7,181,884	400,000	26,557,599
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,444</u>	<u>-</u>	<u>11,444</u>
(335,453)	3,599,139	579,503	-	7,193,328	400,000	26,569,043
-	-	-	-	956,116	(400,000)	556,116
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,057,862</u>	<u>-</u>	<u>1,057,862</u>
<u>(335,453)</u>	<u>3,599,139</u>	<u>579,503</u>	<u>-</u>	<u>9,207,306</u>	<u>-</u>	<u>28,183,021</u>
<u>\$ 309,763</u>	<u>\$ 7,749,428</u>	<u>\$ 677,646</u>	<u>\$ -</u>	<u>\$ 9,321,265</u>	<u>\$ (32,317,965)</u>	<u>\$ 66,211,947</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	The Chimes, Inc.	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.	Chimes International Limited
REVENUE AND OTHER SUPPORT					
Mental health services	\$ -	\$ -	\$ -	\$ -	\$ -
Developmental disabilities services	45,008,478	24,333,751	-	4,395,171	-
Employment contractual services	-	-	76,786,229	-	-
Management Fees	-	-	-	-	8,995,450
Donations and grants	246,028	5,159	-	-	-
Miscellaneous	138,214	14,377	25,884	-	126,597
Fundraising income, net of fundraising expenses of \$143,986	-	-	-	-	-
Total revenue and other support	<u>45,392,720</u>	<u>24,353,287</u>	<u>76,812,113</u>	<u>4,395,171</u>	<u>9,122,047</u>
EXPENSES					
Program services					
Mental health services	-	-	-	-	-
Developmental disabilities services	38,771,155	20,416,590	-	3,601,336	-
Employment contractual services	-	-	68,114,859	-	-
Grants	5,159	400,000	-	-	902,418
Total program expenses	38,776,314	20,816,590	68,114,859	3,601,336	902,418
Supporting services					
Administrative	5,497,150	2,692,622	8,729,290	612,008	8,503,537
Fundraising	-	-	-	-	-
Total supporting services	5,497,150	2,692,622	8,729,290	612,008	8,503,537
Total expenses	<u>44,273,464</u>	<u>23,509,212</u>	<u>76,844,149</u>	<u>4,213,344</u>	<u>9,405,955</u>
OPERATING INCOME	<u>1,119,256</u>	<u>844,075</u>	<u>(32,036)</u>	<u>181,827</u>	<u>(283,908)</u>
OTHER INCOME (EXPENSE)					
Investment Income	-	-	-	-	-
Loss on interest rate swap	(330,596)	-	-	-	-
Gain on sale of assets	19,469	-	1,449	-	-
Net other income (expense)	<u>(311,127)</u>	<u>-</u>	<u>1,449</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSET	808,129	844,075	(30,587)	181,827	(283,908)
NET ASSETS (deficiency), Beginning of year, as originally stated	7,626,166	3,533,117	3,872,029	1,555,873	(1,876,130)
EFFECT OF RESTATEMENT	<u>(271,869)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(826,196)</u>
NET ASSETS (deficiency), Beginning of year, restated	<u>7,354,297</u>	<u>3,533,117</u>	<u>3,872,029</u>	<u>1,555,873</u>	<u>(2,702,326)</u>
NET ASSETS (deficiency), Ending	<u>\$ 8,162,426</u>	<u>\$ 4,377,192</u>	<u>\$ 3,841,442</u>	<u>\$ 1,737,700</u>	<u>\$ (2,986,234)</u>

See auditors' report on supplementary information.

<u>Family Services Association, Inc.</u>	<u>Holcomb Associates, Inc.</u>	<u>Open Door, Inc.</u>	<u>Developmental Services of New Jersey, Inc.</u>	<u>Chimes Foundation, Incorporated</u>	<u>Eliminations</u>	<u>Totals</u>
\$ 83,076	\$ 23,385,094	\$ 1,756,327	\$ -	\$ -	\$ -	\$ 25,224,497
-	-	-	-	-	(801,767)	72,935,633
-	-	-	-	-	(915,760)	75,870,469
-	120,000	-	-	-	(8,985,548)	129,902
15,332	32,025	1,363	1,340,549	997,908	(1,307,577)	1,330,787
240	5,335	8,043	-	-	(146,253)	172,437
-	44,362	-	-	252,118	-	296,480
<u>98,648</u>	<u>23,586,816</u>	<u>1,765,733</u>	<u>1,340,549</u>	<u>1,250,026</u>	<u>(12,156,905)</u>	<u>175,960,205</u>
80,226	20,035,751	1,292,882	-	-	-	21,408,859
-	-	-	-	-	(1,517,118)	61,271,963
-	-	-	-	-	-	68,114,859
-	-	-	-	85,271	(1,307,577)	85,271
<u>80,226</u>	<u>20,035,751</u>	<u>1,292,882</u>	<u>-</u>	<u>85,271</u>	<u>(2,824,695)</u>	<u>150,880,952</u>
76,119	3,060,385	182,356	-	373,137	(9,434,493)	20,292,111
-	-	-	-	82,775	-	82,775
<u>76,119</u>	<u>3,060,385</u>	<u>182,356</u>	<u>-</u>	<u>455,912</u>	<u>(9,434,493)</u>	<u>20,374,886</u>
<u>156,345</u>	<u>23,096,136</u>	<u>1,475,238</u>	<u>-</u>	<u>541,183</u>	<u>(12,259,188)</u>	<u>171,255,838</u>
(57,697)	490,680	290,495	1,340,549	708,843	102,283	4,704,367
-	-	-	-	393,225	(102,283)	290,942
-	-	-	-	-	-	(330,596)
-	-	-	-	-	-	20,918
-	-	-	-	393,225	(102,283)	(18,736)
(57,697)	490,680	290,495	1,340,549	1,102,068	-	4,685,631
(277,756)	3,108,459	289,008	(1,340,549)	8,105,238	-	24,595,455
-	-	-	-	-	-	(1,098,065)
<u>(277,756)</u>	<u>3,108,459</u>	<u>289,008</u>	<u>(1,340,549)</u>	<u>8,105,238</u>	<u>-</u>	<u>23,497,390</u>
\$ <u>(335,453)</u>	\$ <u>3,599,139</u>	\$ <u>579,503</u>	\$ <u>-</u>	\$ <u>9,207,306</u>	\$ <u>-</u>	\$ <u>28,183,021</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING SCHEDULE OF LAND, BUILDINGS AND EQUIPMENT
For the Year Ended June 30, 2012

	The Chimes, Inc.	Chimes Metro, Inc.	Chimes District of Columbia, Inc.	Chimes Virginia, Inc.
Land	\$ 2,135,736	\$ 880,048	\$ -	\$ -
Buildings and improvements	24,758,439	3,583,741	-	-
Land improvements	246,975	-	-	-
Automobiles	2,093,931	350,466	1,244,311	60,318
Furnishings and equipment	3,755,692	1,105,176	7,258,433	302,962
Leasehold improvements	<u>861,018</u>	<u>1,050,382</u>	<u>-</u>	<u>212,490</u>
Construction in progress	<u>366,986</u>	<u>1,696,561</u>	<u>-</u>	<u>350</u>
	34,218,777	8,666,374	8,502,744	576,120
Less: accumulated depreciation	<u>15,292,397</u>	<u>2,164,979</u>	<u>6,912,502</u>	<u>402,606</u>
	<u>\$ 18,926,380</u>	<u>\$ 6,501,395</u>	<u>\$ 1,590,242</u>	<u>\$ 173,514</u>

See auditors' report on supplementary information.

Chimes International Limited	Family Services Association, Inc.	Holcomb Associates, Inc.	Open Door, Inc.	Totals
\$ -	\$ 70,000	\$ 576,500	\$ -	\$ 3,662,284
540,070	276,576	3,370,643	-	32,529,469
-	-	-	-	246,975
91,706	-	951,637	-	4,792,369
5,897,145	29,741	755,181	76,148	19,180,478
<u>-</u>	<u>-</u>	<u>42,747</u>	<u>69,814</u>	<u>2,236,451</u>
<u>131,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,195,347</u>
6,660,371	376,317	5,696,708	145,962	64,843,373
<u>4,831,854</u>	<u>152,917</u>	<u>1,759,198</u>	<u>75,359</u>	<u>31,591,812</u>
<u>\$ 1,828,517</u>	<u>\$ 223,400</u>	<u>\$ 3,937,510</u>	<u>\$ 70,603</u>	<u>\$ 33,251,561</u>