

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

OMB No 1545-0047

2006

Open to Public Inspection

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2006 calendar year, or tax year beginning **JUL 1, 2006** and ending **JUN 30, 2007**

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization THE CHIMES FOUNDATION, INC.	D Employer identification number 52-1796571
	Number and street (or P.O. box if mail is not delivered to street address) Room/suite 4815 SETON DRIVE	E Telephone number 410-358-6400
	City or town, state or country, and ZIP + 4 BALTIMORE, MD 21215	F Accounting method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶
	* Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ)	

G Website: **N/A**

J Organization type (check only one) ☒ 501(c) (3) (insert no) ☐ 4947(a)(1) or ☐ 527

K Check here ☐ if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

H and I are not applicable to section 527 organizations

H(a) Is this a group return for affiliates? ☐ Yes ☒ No

H(b) If "Yes," enter number of affiliates ▶ **N/A**

H(c) Are all affiliates included? **N/A** ☐ Yes ☐ No (If "No," attach a list.)

H(d) Is this a separate return filed by an organization covered by a group ruling? ☐ Yes ☒ No

I Group Exemption Number ▶ **N/A**

M Check ☐ if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶ **6,811,547.**

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue	1 Contributions, gifts, grants, and similar amounts received:			
	a Contributions to donor advised funds	1a		
	b Direct public support (not included on line 1a)	1b	1,347,736.	
	c Indirect public support (not included on line 1a)	1c		
	d Government contributions (grants) (not included on line 1a)	1d		
	e Total (add lines 1a through 1d) (cash \$ 1,340,282. noncash \$ 7,454.)	1e	1,347,736.	
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2		
	3 Membership dues and assessments	3		
	4 Interest on savings and temporary cash investments	4	268,272.	
	5 Dividends and interest from securities	5	50,431.	
Expenses	6 a Gross rents	6a		
	b Less: rental expenses	6b		
	c Net rental income or (loss). Subtract line 6b from line 6a	6c		
	7 Other investment income (describe ▶)	7		
	8 a Gross amount from sales of assets other than inventory	(A) Securities	(B) Other	
	b Less: cost or other basis and sales expenses	8a	4,845,349.	
	c Gain or (loss) (attach schedule)	8b	4,780,893.	
	d Net gain or (loss). Combine line 8c, columns (A) and (B)	8c	64,456.	
	9 Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>	9a	239,062.	
	a Gross revenue (not including \$ 240,076. of contributions reported on line 1b)	9b	239,062.	
Net Assets	c Net income or (loss) from special events. Subtract line 9b from line 9a	9c	0.	
	10 a Gross sales of inventory, less returns and allowances	10a		
	b Less: cost of goods sold	10b		
	c Gross profit or (loss) from sales of inventory (attach schedule) Subtract line 10b from line 10a	10c		
	11 Other revenue (from Part VII, line 109)	11	60,697.	
	12 Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11	12	1,791,592.	
	13 Program services (from line 44, column (B))	13	82,918.	
	14 Management and general (from line 44, column (C))	14	75,893.	
	15 Fundraising (from line 44, column (D))	15	143,574.	
	16 Payments to affiliates (attach schedule)	16		
17 Total expenses. Add lines 13 through 16	17	302,385.		
Net Assets	18 Excess or (deficit) for the year. Subtract line 17 from line 12	18	1,489,207.	
	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	5,797,633.	
	20 Other changes in net assets or fund balances (attach explanation)	20	70,484.	
	21 Net assets or fund balances at end of year. Combine lines 18, 19, and 20	21	7,357,324.	

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Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others.

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22a Grants paid from donor advised funds (attach schedule) (cash \$ <u>0.</u> noncash \$ <u>0.</u>) If this amount includes foreign grants, check here <input type="checkbox"/>				
22b Other grants and allocations (attach schedule) (cash \$ <u>82,918.</u> noncash \$ <u>0.</u>) If this amount includes foreign grants, check here <input type="checkbox"/>			STATEMENT 5	
	<u>82,918.</u>	<u>82,918.</u>		
23 Specific assistance to individuals (attach schedule)				
24 Benefits paid to or for members (attach schedule)				
25a Compensation of current officers, directors, key employees, etc. listed in Part V-A	<u>0.</u>	<u>0.</u>	<u>0.</u>	<u>0.</u>
b Compensation of former officers, directors, key employees, etc. listed in Part V-B	<u>0.</u>	<u>0.</u>	<u>0.</u>	<u>0.</u>
c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
26 Salaries and wages of employees not included on lines 25a, b, and c				
27 Pension plan contributions not included on lines 25a, b, and c				
28 Employee benefits not included on lines 25a - 27	<u>12,960.</u>		<u>3,240.</u>	<u>9,720.</u>
29 Payroll taxes				
30 Professional fundraising fees				
31 Accounting fees	<u>11,440.</u>		<u>11,440.</u>	
32 Legal fees				
33 Supplies				
34 Telephone				
35 Postage and shipping				
36 Occupancy				
37 Equipment rental and maintenance				
38 Printing and publications				
39 Travel				
40 Conferences, conventions, and meetings				
41 Interest				
42 Depreciation, depletion, etc. (attach schedule)				
43 Other expenses not covered above (itemize)				
a				
b				
c				
d				
e				
f				
g SEE STATEMENT 4	<u>195,067.</u>		<u>61,213.</u>	<u>133,854.</u>
44 Total functional expenses. Add lines 22a through 43g. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	<u>302,385.</u>	<u>82,918.</u>	<u>75,893.</u>	<u>143,574.</u>

Joint Costs. Check ☐ if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?

Yes ☐ No ☒If "Yes," enter (i) the aggregate amount of these joint costs \$ N/A; (ii) the amount allocated to Program services \$ N/A;(iii) the amount allocated to Management and general \$ N/A; and (iv) the amount allocated to Fundraising \$ N/A

Part III Statement of Program Service Accomplishments (See the instructions)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ►

PROGRAMS FOR THE MENTALLY DISABLED.

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)

Program Service Expenses
(Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)

a SEE STATEMENT 6

(Grants and allocations \$ 82,918.) If this amount includes foreign grants, check here ► ☐

82,918.

b

(Grants and allocations \$) If this amount includes foreign grants, check here ► ☐

c

(Grants and allocations \$) If this amount includes foreign grants, check here ► ☐

d

(Grants and allocations \$) If this amount includes foreign grants, check here ► ☐

e Other program services (attach schedule)

(Grants and allocations \$) If this amount includes foreign grants, check here ► ☐

f Total of Program Service Expenses (should equal line 44, column (B), Program services) ►

82,918.

Form 990 (2006)

Part IV Balance Sheets (See the instructions)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only

		(A) Beginning of year	(B) End of year
Assets	45 Cash - non-interest-bearing	308,607.	45 596,136.
	46 Savings and temporary cash investments	27,934.	46 19,137.
	47 a Accounts receivable	47a	47c
	b Less allowance for doubtful accounts	47b	
	48 a Pledges receivable	48a 605,633.	48c
	b Less allowance for doubtful accounts	48b	605,633.
	49 Grants receivable		49
	50 a Receivables from current and former officers, directors, trustees, and key employees		50a
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)		50b
	51 a Other notes and loans receivable STMT 7	51a 746,351.	
	b Less: allowance for doubtful accounts STMT 8	51b	
		1,016,786.	51c 746,351.
	52 Inventories for sale or use		52
	53 Prepaid expenses and deferred charges		53
	54 a Investments - publicly-traded securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54a
b Investments - other securities STMT 10 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	4,500,205.	54b 5,519,038.	
55 a Investments - land, buildings, and equipment basis	55a		
b Less accumulated depreciation	55b	55c	
56 Investments - other	0.	56 0.	
57 a Land, buildings, and equipment basis	57a		
b Less accumulated depreciation	57b	57c	
58 Other assets, including program-related investments (describe ▶ SEE STATEMENT 9)	831,200.	58 1,081,674.	
59 Total assets (must equal line 74). Add lines 45 through 58	6,734,211.	59 8,567,969.	
Liabilities	60 Accounts payable and accrued expenses	66,206.	60 50.
	61 Grants payable		61
	62 Deferred revenue		62
	63 Loans from officers, directors, trustees, and key employees		63
	64 a Tax-exempt bond liabilities		64a
	b Mortgages and other notes payable		64b
	65 Other liabilities (describe ▶ DUE TO RELATED PARTIES)	870,372.	65 1,210,595.
	66 Total liabilities. Add lines 60 through 65	936,578.	66 1,210,645.
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74		
	67 Unrestricted	4,832,759.	67 5,554,318.
	68 Temporarily restricted	662.	68 838,794.
	69 Permanently restricted	964,212.	69 964,212.
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74		
	70 Capital stock, trust principal, or current funds		70
	71 Paid-in or capital surplus, or land, building, and equipment fund		71
	72 Retained earnings, endowment, accumulated income, or other funds		72
	73 Total net assets or fund balances Add lines 67 through 69 or lines 70 through 72. (Column (A) must equal line 19 and column (B) must equal line 21)	5,797,633.	73 7,357,324.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	6,734,211.	74 8,567,969.

Part IV-A

Part IV-B	Reconciliation of Expenses per Audited Financial Statements With Expenses per Return
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Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated) (See the instructions)

SEE STATEMENT 11

	Yes	No
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Part V-B	Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)
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[illegible]

	Yes	No
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76	Did the organization make a change in its activities or methods of conducting activities? If "Yes," attach a detailed statement of each change	76		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes	77		X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a		X
b	If "Yes," has it filed a tax return on Form 990-T for this year?	78b		N/A
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79		X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X	
b	If "Yes," enter the name of the organization SEE STATEMENT 12 _____ and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt			
81 a	Enter direct or indirect political expenditures (See line 81 instructions)	81a	0.	
b	Did the organization file Form 1120-POL for this year?	81b		X

Part VI Other Information (continued)

		Yes	No
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III.)		
	82b N/A		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
	N/A		
85	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?		
	N/A		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less?		
	N/A		
	If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year		
c	Dues, assessments, and similar amounts from members		
	85c N/A		
d	Section 162(e) lobbying and political expenditures		
	85d N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices		
	85e N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)		
	85f N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		
	N/A		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		
	N/A		
86	501(c)(7) organizations Enter a Initiation fees and capital contributions included on line 12		
	86a N/A		
b	Gross receipts, included on line 12, for public use of club facilities		
	86b N/A		
87	501(c)(12) organizations Enter a Gross income from members or shareholders		
	87a N/A		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)		
	87b N/A		
88 a	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX		X
b	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI		X
89 a	501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under section 4911 0.; section 4912 0.; section 4955 0.		
b	501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		X
c	Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		
	0.		
d	Enter Amount of tax on line 89c, above, reimbursed by the organization		
	0.		
e	All organizations At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?		X
f	All organizations Did the organization acquire a direct or indirect interest in any applicable insurance contract?		X
g	For supporting organizations and sponsoring organizations maintaining donor advised funds Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		X
	89g		
90 a	List the states with which a copy of this return is filed MD, NJ		
b	Number of employees employed in the pay period that includes March 12, 2006	90b	0
91 a	The books are in care of MARTIN LAMPNER, CPA Telephone no. 410-358-6400		
	Located at 4815 SETON DRIVE, BALTIMORE, MD ZIP + 4 21215		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country ISRAEL	91b	X
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		

Part VI Other Information (continued)

Yes No

c At any time during the calendar year, did the organization maintain an office outside of the United States?

91c

X

If "Yes," enter the name of the foreign country **N/A**

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here

and enter the amount of tax-exempt interest received or accrued during the tax year

92

N/A

Part VII Analysis of Income-Producing Activities (See the instructions)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue					
a					
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	268,272.	
96 Dividends and interest from securities			14	50,431.	
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	64,456.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue					
a MISC. INCOME			01	60,697.	
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0.		443,856.	0.
105 Total (add line 104, columns (B), (D), and (E))					443,856.

Note: Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions)

Line No. Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?

Yes

X No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?

Yes

X No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

Part XI Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13) **N/A**

106 Did the reporting organization **make** any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity

Yes	No

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	----- ----- -----			
b	----- ----- -----			
c	----- ----- -----			
Totals				

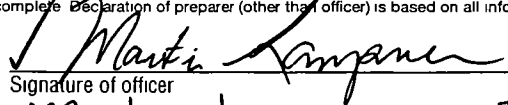
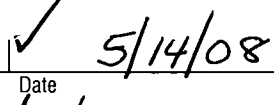
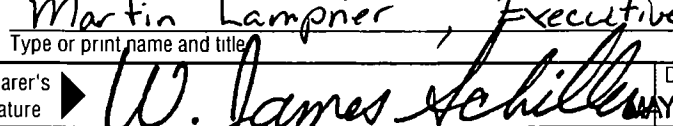
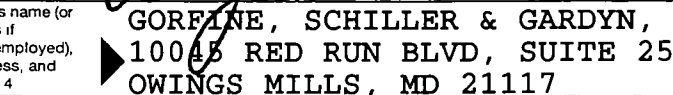

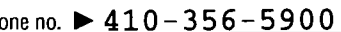
107 Did the reporting organization **receive** any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.

Yes	No

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	----- ----- -----			
b	----- ----- -----			
c	----- ----- -----			
Totals				

108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?

Yes	No

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.			
	 Signature of officer		 Date	
Paid Preparer's Use Only	 Type or print name and title			
	Preparer's signature  Firm's name (or yours if self-employed), address, and ZIP + 4 GORFINE, SCHILLER & GARDYN, PA 10045 RED RUN BLVD, SUITE 250 OWINGS MILLS, MD 21117	Date MAY - 9 2008	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN (See Gen. Inst. X) EIN  Phone no. 

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information-(See separate instructions.)

► **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

2006

Name of the organization

THE CHIMES FOUNDATION, INC.

Employer identification number

52 1796571

Part I

Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See page 2 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
NONE				

Total number of other employees paid over \$50,000



0

Part II-A

Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		

Total number of others receiving over \$50,000 for professional services



0

Part II-B

Compensation of the Five Highest Paid Independent Contractors for Other Services

(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter "None." See page 2 of the instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		

Total number of other contractors receiving over \$50,000 for other services



0

Part III Statements About Activities (See page 2 of the instructions.)**Yes No**

1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ _____ \$ <u>22,275.</u> (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.) VI-B, LINE I Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.	1	X	
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)			
a Sale, exchange, or leasing of property?	2a		X
b Lending of money or other extension of credit?	2b		X
c Furnishing of goods, services, or facilities?	2c	X	
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	2d		X
e Transfer of any part of its income or assets?	2e		X
3 a Did the organization make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how the organization determines that recipients qualify to receive payments.)	3a		X
b Did the organization have a section 403(b) annuity plan for its employees?	3b		X
c Did the organization receive or hold an easement for conservation purposes, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," attach a detailed statement	3c		X
d Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services?	3d		X
4 a Did the organization maintain any donor advised funds? If "Yes," complete lines 4b through 4g. If "No," complete lines 4f and 4g	4a		X
b Did the organization make any taxable distributions under section 4966?	4b		
c Did the organization make a distribution to a donor, donor advisor, or related person?	4c		
d Enter the total number of donor advised funds owned at the end of the tax year			N/A
e Enter the aggregate value of assets held in all donor advised funds owned at the end of the tax year			N/A
f Enter the total number of separate funds or accounts owned at the end of the year (excluding donor advised funds included on line 4d) where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts			0.
g Enter the aggregate value of assets in all funds or accounts included on line 4f at the end of the tax year			0.

SEE STATEMENT 14**N/A****N/A****N/A****N/A****0.****0.**

Part IV Reason for Non-Private Foundation Status (See pages 4 through 7 of the instructions.)I certify that the organization is not a private foundation because it is: (Please check only **ONE** applicable box.)

- 5 ☐ A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 ☐ A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 ☐ A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 ☐ A federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 ☐ A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ►
- 10 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b ☐ A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 ☒ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 ☐ An organization that is not controlled by any disqualified persons (other than foundation managers) and otherwise meets the requirements of section 509(a)(3). Check the box that describes the type of supporting organization:
☐ Type I ☐ Type II ☐ Type III-Functionally Integrated ☐ Type III-Other

Provide the following information about the supported organizations. (See page 7 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Employer identification number (EIN)	(c) Type of organization (described in lines 5 through 12 above or IRC section)	(d) Is the supported organization listed in the supporting organization's governing documents?		(e) Amount of support
			Yes	No	
Total ►					

- 14 ☐ An organization organized and operated to test for public safety. Section 509(a)(4). (See page 7 of the instructions.)

Part IV-A**Support Schedule** (Complete only if you checked a box on line 10, 11, or 12) **Use cash method of accounting.****Note:** You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in)	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	429,774.	450,289.	296,529.	200,165.	1,376,757.
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	190,145.	144,418.	122,392.	111,586.	568,541.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets	330,818.	212,756.	SEE STATEMENT 15 365,169.	350,351.	1,259,094.
23 Total of lines 15 through 22	950,737.	807,463.	784,090.	662,102.	3,204,392.
24 Line 23 minus line 17	950,737.	807,463.	784,090.	662,102.	3,204,392.
25 Enter 1% of line 23	9,507.	8,075.	7,841.	6,621.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a N/A
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2002 through 2005 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b N/A
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c N/A
d Add: Amounts from column (e) for lines: 18 _____ 19 _____ 22 _____ 26b _____					26d N/A
e Public support (line 26c minus line 26d total)					26e N/A
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f N/A %
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: (2005) 0. (2004) 0. (2003) 0. (2002) 0.					
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2005) 0. (2004) 0. (2003) 0. (2002) 0.					
c Add: Amounts from column (e) for lines: 15 1,376,757. 16 _____ 17 _____ 20 _____ 21 _____					27c 1,376,757.
d Add: Line 27a total 0. and line 27b total 0.					27d 0.
e Public support (line 27c total minus line 27d total)					27e 1,376,757.
f Total support for section 509(a)(2) test: Enter amount on line 23, column (e)			27f 3,204,392.		
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g 42.9647%
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h 17.7426%
28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2002 through 2005, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.					NONE

Part V Private School Questionnaire (See page 9 of the instructions.)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

	Yes	No
29 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	29	
30 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	30	
31 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)	31	
<hr/> <hr/> <hr/>		
32 Does the organization maintain the following:		
a Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)	32d	
<hr/> <hr/>		
33 Does the organization discriminate by race in any way with respect to:		
a Students' rights or privileges?	33a	
b Admissions policies?	33b	
c Employment of faculty or administrative staff?	33c	
d Scholarships or other financial assistance?	33d	
e Educational policies?	33e	
f Use of facilities?	33f	
g Athletic programs?	33g	
h Other extracurricular activities?	33h	
<hr/> <hr/> <hr/>		
34 a Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement.	34b	
35 Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation	35	

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 10 of the instructions.)

N/A

(To be completed **ONLY** by an eligible organization that filed Form 5768)Check ☒ **a** if the organization belongs to an affiliated group.Check ☐ **b** if you checked "a" and "limited control" provisions apply.**Limits on Lobbying Expenditures**

(The term "expenditures" means amounts paid or incurred.)

(a)
Affiliated group
totals(b)
To be completed for all
electing organizations**36** Total lobbying expenditures to influence public opinion (grassroots lobbying)**37** Total lobbying expenditures to influence a legislative body (direct lobbying)**38** Total lobbying expenditures (add lines 36 and 37)**39** Other exempt purpose expenditures**40** Total exempt purpose expenditures (add lines 38 and 39)**41** Lobbying nontaxable amount. Enter the amount from the following table -

If the amount on line 40 is -

The lobbying nontaxable amount is -

Not over \$500,000

20% of the amount on line 40

Over \$500,000 but not over \$1,000,000

\$100,000 plus 15% of the excess over \$500,000

Over \$1,000,000 but not over \$1,500,000

\$175,000 plus 10% of the excess over \$1,000,000

Over \$1,500,000 but not over \$17,000,000

\$225,000 plus 5% of the excess over \$1,500,000

Over \$17,000,000

\$1,000,000

42 Grassroots nontaxable amount (enter 25% of line 41)**43** Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36**44** Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38**Caution:** If there is an amount on either line 43 or line 44, you must file Form 4720**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45 through 50 on page 13 of the instructions.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				N/A
	(a) 2006	(b) 2005	(c) 2004	(d) 2003	(e) Total
45 Lobbying nontaxable amount					0.
46 Lobbying ceiling amount (150% of line 45(e))					0.
47 Total lobbying expenditures					0.
48 Grassroots nontaxable amount					0.
49 Grassroots ceiling amount (150% of line 48(e))					0.
50 Grassroots lobbying expenditures					0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 13 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

a Volunteers**b** Paid staff or management (Include compensation in expenses reported on lines c through h)**c** Media advertisements**d** Mailings to members, legislators, or the public**e** Publications, or published or broadcast statements**f** Grants to other organizations for lobbying purposes**g** Direct contact with legislators, their staffs, government officials, or a legislative body**h** Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means**i** Total lobbying expenditures (Add lines c through h)

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

Yes	No	Amount
	X	
	X	
	X	
	X	
	X	
X		11,000.
X		11,275.
	X	
		22,275.

SEE STATEMENT 16

FORM 990
For the Year July 1, 2006 to June 30, 2007

Chimes Foundation, Inc.
EIN - 52-1796571

Attachment for Schedule A, Part III, Line 2

For the reporting year, Chimes Foundation, Inc., either directly or indirectly, engaged in sales, exchanges or leasing of property, lending of money or other extension of credit, furnishing of goods services or facilities, payment of compensation (or payment or reimbursement of expenses if more than \$1,000), or transfer of any part of its income or assets with substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary, as follows:

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Form 990**For the Year July 1, 2006 to June 30, 2007****Chimes Foundation, Inc. EIN 52-1796571****Part V Question 75****List of Officers, Directors Trustees and Key Employees**

Name	Terry Perl	Albert Bussone	Martin Lampner
Organization providing Compensation	Chimes In'tl Ltd	Chimes In'tl Ltd	Chimes In'tl Ltd
EIN for Organization	52-2000359	52-2000359	52-2000359
Address	4815 Seton Dr	4815 Seton Dr	4815 Seton Dr
City, State Zip	Baltimore, MD 21215	Baltimore, MD 21215	Baltimore, MD 21215
Title	CEO/President	COO/VP Operations	CFO/VP Finance
Average Hours per Week	Director 42	60	60

(C) - Compensation			
Base Compensation	346,611	224,463	210,521
Cash In Lieu of Benefits (A)		58,179	0
Money Purchase Pension Distributions	0	0	0
403 (B) Plan Distributions	0	0	0
457(e)11 Distributions	0	0	0
457 (f) Plan Distributions	0	0	0
Severance Distributions	0	0	0

(D) - Contributions to Employee Benefits Plans and Deferred Compensation			
Health and Basic Life Insurance	16,325	18,099	19,005
Money Purchase Pension	5,500	5,500	5,263
403(B) Plan			
Employer Contribution	4,312	3,660	6,776
457(f) Plan (B)	84,671	0	51,218
Severance Plan (C)	0	0	10,526
Deferred Compensation Non-Vested	98,112	65,892	0

(E) - Expense Account and Other Allowances			
Vehicle (D)	6,000	1,340	12,000

(A) Employee elected to take certain contractual benefits in cash in lieu of accepting the benefit

(B) Subject to claims of the employer's bankruptcy/insolvency creditors

(C) Subject to claims of the employer's bankruptcy/insolvency creditors If a participant does not meet all terms of their contract, the participant's benefit is forfeited

(D) Employee may be provided a company car or accept a car allowance, amounts shown are taxable personal use per IRS regulations

FORM 990	GAIN (LOSS) FROM PUBLICLY TRADED SECURITIES	STATEMENT	1
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DESCRIPTION	GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	NET GAIN OR (LOSS)
WACHOVIA BANK INVESTMENTS	380,444.	328,076.	0.	52,368.
PAINE WEBBER INVESTMENTS	4,464,905.	4,452,817.	0.	12,088.
TO FORM 990, PART I, LINE 8	4,845,349.	4,780,893.	0.	64,456.

FORM 990	SPECIAL EVENTS AND ACTIVITIES	STATEMENT	2
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DESCRIPTION OF EVENT	GROSS RECEIPTS	CONTRIBUT. INCLUDED	GROSS REVENUE	DIRECT EXPENSES	NET INCOME
HALL OF FAME	479,138.	240,076.	239,062.	239,062.	0.
TO FM 990, PART I, LINE 9	479,138.	240,076.	239,062.	239,062.	0.

FORM 990	OTHER CHANGES IN NET ASSETS OR FUND BALANCES	STATEMENT	3
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DESCRIPTION	AMOUNT
UNREALIZED LOSS ON INVESTMENTS	70,484.
TOTAL TO FORM 990, PART I, LINE 20	70,484.

FORM 990	OTHER EXPENSES	STATEMENT	4
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DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
CONSULTING	3,095.		3,095.	
DUES AND SUBSCRIPTIONS	22,514.		22,514.	
MISCELLANEOUS EXPENSE	3,095.		3,095.	
DIRECT FUNDRAISING EXPENSES	30,929.			30,929.
LICENSE FEE	14,509.		14,509.	
BAD DEBT EXPENSE	48,925.			48,925.

THE CHIMES FOUNDATION, INC.

52-1796571

SALARY ALLOCATION	72,000.	18,000.	54,000.
TOTAL TO FM 990, LN 43	195,067.	61,213.	133,854.

FORM 990	CASH GRANTS AND ALLOCATIONS TO OTHERS	STATEMENT	5
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CLASS OF ACTIVITY/DONEE'S NAME AND ADDRESS	AMOUNT
DEVELOPMENTAL DISABLED AND MENTAL HEALTH THE CHIMES, INC. 4815 SETON DRIVE BALTIMORE, MD 21215	17,074.
	5,594.
DEVELOPMENTAL DISABLED AND MENTAL HEALTH DEVELOPMENTAL SERVICES OF NEW JERSEY 4815 SETON DRIVE BALTIMORE, MD 21215	5,650.
DEVELOPMENTAL DISABLED AND MENTAL HEALTH INTERVALS RESIDENTIAL SERVICES, INC. 4815 SETON DRIVE BALTIMORE, MD 21215	2,351.
DEVELOPMENTAL DISABLED AND MENTAL HEALTH HOLCOMB ASSOCIATES, INC. 835 SPRINGDALE ROAD, SUITE 100 EXTON, PA 19341	22,000.
DEVELOPMENTAL DISABLED AND MENTAL HEALTH CHIMES VIRGINIA, INC. 4815 SETON DRIVE BALTIMORE, MD 21215	1,900.
DEVELOPMENTAL DISABLED AND MENTAL HEALTH CHIMES DISTRICT OF COLUMBIA, INC. 4815 SETON DRIVE BALTIMORE, MD 21215	399.
DEVELOPMENTAL DISABLED AND MENTAL HEALTH MCIL RESOURCES FOR INDEPENDENT LIVING 3011 MONTEBELLO TERRACE BALTIMORE, MD 21214	500.

THE CHIMES FOUNDATION, INC.

52-1796571

SPONSORSHIP OF ANNUAL EVENT
AUTISM FOUNDATION OF DELAWARE INC.
5572 KIRKWOOD HIGHWAY
WILLINGTON, DE 19808

5,000.

SPONSORSHIP OF GAS CONFERENCE
ANCOR
1101 KING STREET, SUITE 380
ALEXANDRIA, VA 22314

1,400.

NATIONAL ADVOCACY CAMPAIGN
ANCOR
1101 KING STREET, SUITE 380
ALEXANDRIA, VA 22314

10,000.

ANNUAL CAMPAIGN SUPPORT
EDUCATION FOUNDATION OF BALTIMORE COUNTY PUBLIC SCHOOLS
1946 GREENSPRING DRIVE, SUITE O
TIMONIUM, MD 21093

50.

SUPPORT OF THE PROGRAM
DELAWARE QUALITY AWARD UNIV. OF DELAWARE
13 EAST 8TH STREET
WILMINGTON, DE 19801

1,000.

SUPPORT OF THE MARYLAND QUALITY AWARD
UNIVERSITY OF MARYLAND FOUNDATION, INC.
3114 POTOMAC BUILDING
COLLEGE PARK, MD 21131

5,000.

SUPPORT OF BALTIMORE CITY EVENT
GOVERNORS INAUGURAL BALL

5,000.

TOTAL INCLUDED ON FORM 990, PART II, LINE 22B

82,918.

FORM 990

STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

STATEMENT 6

DESCRIPTION OF PROGRAM SERVICE ONE

A)CHIMES FOUNDATION RAISES MONEY IN SUPPORT OF THE CHIMES FAMILY OF SERVICES. IN ADDITION IT WILL MAKE GRANTS AND ASPIRATIONS IN COMMON WITH THE CHIMES PHILOSOPHY OF SERVICE TO PEOPLE WITH DISABILITIES. IT HAS ADOPTED AN INVESTMENT STRATEGY TO USE A PORTION OF ITS ASSETS TO ASSIST START-UP BUSINESSES OWNED BY DISABLED OR MINORITY MEMBERS WHO COMMIT TO BE INCLUSIVE IN THEIR HIRING PRACTICES. CURRENTLY, IT HAS TWO SUCH EQUITY PARTNERSHIPS. IT MADE GRANTS TO RELATED ORGANIZATIONS OF \$49,374 AND TO NON-CHIMES AFFILIATED ORGANIZATIONS OF \$33,544.

CHIMES FOUNDATION IS PROUD TO BE A BBB WISE GIVING ALLIANCE SEAL HOLDER. THE SEAL INDICATES FULL COMPLIANCE WITH ALL OF THE REQUIREMENTS OF THE ALLIANCE.

TO FORM 990, PART III, LINE A

GRANTS

82,918.

EXPENSES

82,918.

FORM 990

OTHER NOTES AND LOANS REPORTED SEPARATELY

STATEMENT 7

BORROWER'S NAMETERMS OF REPAYMENTAMERICA'S PRIDE SERVING SERVICE DISABLED
VETERAN'S INC.LOC PRIME+2% CALLABLE 90 DAYS;
RENEWABLE 5 YEARS

<u>DATE OF NOTE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>INTEREST RATE</u>	<u>FMV OF CONSIDERATION</u>
07/01/04	VARIOUS	290,000.	10.25%	0.

SECURITY PROVIDED BY BORROWERPURPOSE OF LOAN

49% EQUITY STAKE IN ENTITY

WORKING CAPITAL TO DISABLED VETS' BUSINESS

<u>RELATIONSHIP OF BORROWER</u>	<u>DESCRIPTION OF CONSIDERATION</u>	<u>DOUBTFUL ACCT ALLOWANCE</u>	<u>BALANCE DUE</u>
NONE. BORROWER HAS BEEN A CONTRIBUTOR TO CHIMES		0.	0.

BORROWER'S NAMETERMS OF REPAYMENT

SVM FLOOR SERVICES, INC.

LOC PRIME+1%, DUE ON DEMAND

<u>DATE OF NOTE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>INTEREST RATE</u>	<u>FMV OF CONSIDERATION</u>
03/26/07	VARIOUS	60,000.	9.25%	0.

SECURITY PROVIDED BY BORROWERPURPOSE OF LOAN

49% EQUITY STAKE IN ENTITY

<u>RELATIONSHIP OF BORROWER</u>	<u>DESCRIPTION OF CONSIDERATION</u>	<u>DOUBTFUL ACCT ALLOWANCE</u>	<u>BALANCE DUE</u>
		0.	60,000.

TOTALS INCLUDED ON FORM 990, PART IV, LINE 51

0. 60,000.

FORM 990	OTHER NOTES AND LOANS RECEIVABLE	STATEMENT	8
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DESCRIPTION	DOUBTFUL ACCT ALLOWANCE	BALANCE DUE
INTERVALS RESIDENTIAL SERVICES, INC -501(C)(3) AFFILIATE	0.	510,583.
MARIAN HOMES-501(C)(3) UNRELATED	0.	175,768.
TOTALS INCLUDED ON FORM 990, PART IV, LINE 51	0.	686,351.

FORM 990	OTHER ASSETS	STATEMENT	9
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DESCRIPTION	AMOUNT
INTEREST RECEIVABLE	82,854.
GROUND RENTS	4,367.
LIFE INSURANCE INVESTMENTS	994,453.
TOTAL TO FORM 990, PART IV, LINE 58, COLUMN B	1,081,674.

FORM 990	OTHER SECURITIES	STATEMENT	10
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SECURITY DESCRIPTION	COST/FMV	OTHER SECURITIES
DAVIS FUND ACCOUNT	FMV	113,375.
PAINE WEBBER ACCOUNT	FMV	4,073,650.
TINA HYATT FUND ACCOUNT	FMV	110,190.
WACHOVIA BANK ACCOUNT	FMV	1,221,823.
TO FORM 990, LINE 54B, COL B		5,519,038.

FORM 990 PART V-A - LIST OF CURRENT OFFICERS, DIRECTORS, STATEMENT 11
TRUSTEES AND KEY EMPLOYEES

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
TERRY PERL 4815 SETON DRIVE BALTIMORE, MD 21215	PRESIDENT 5.00	0.	0.	0.
JUDITH MARTINAK 4815 SETON DRIVE BALTIMORE, MD 21215	SECRETARY 2.00	0.	0.	0.
ARTHUR GEORGE 4815 SETON DRIVE BALTIMORE, MD 21215	VICE CHAIRPERSON 2.00	0.	0.	0.
MARTIN LAMPNER 4815 SETON DRIVE BALTIMORE, MD 21215	ASST TREASURER 5.00	0.	0.	0.
ALBERT BUSSONE 4815 SETON DRIVE BALTIMORE, MD 21215	ASST SECRETARY 5.00	0.	0.	0.
ADAM SMOLEN 4815 SETON DRIVE BALTIMORE, MD 21215	TREASURER 2.00	0.	0.	0.
STEVEN P. ALMS 4815 SETON DRIVE BALTIMORE, MD 21215	CHAIRPERSON 2.00	0.	0.	0.
PATRICK BAGLEY 4815 SETON DRIVE BALTIMORE, MD 21215	DIRECTOR 2.00	0.	0.	0.
BOBBY G. EDMONDSON 4815 SETON DRIVE BALTIMORE, MD 21215	DIRECTOR 2.00	0.	0.	0.
MICHAEL MAY 4815 SETON DRIVE BALTIMORE, MD 21215	DIRECTOR 2.00	0.	0.	0.
TOTALS INCLUDED ON FORM 990, PART V-A		0.	0.	0.

FORM 990

IDENTIFICATION OF RELATED ORGANIZATIONS
PART VI, LINE 80B

STATEMENT 12

NAME OF ORGANIZATION	EXEMPT	NONEXEMPT
THE CHIMES, INC	X	
CHIMES METRO, INC.	X	
CHIMES INTERNATIONAL LIMITED	X	
CHIMES DISTRICT OF COLUMBIA, INC.	X	
CHIMES VIRGINIA, INC.	X	
CHIMES PA, INC.	X	
INTERVALS RESIDENTIAL SERVICES, INC.	X	
HOLCOMB ASSOCIATES, INC.	X	
OPEN DOOR, INC.	X	
FAMILY SERVICES ASSOCIATION, INC.	X	
DEVELOPMENTAL SERVICES OF NEW JERSEY	X	

FORM 990

PART V-A OFFICER COMPENSATION FROM
RELATED ORGANIZATIONS

STATEMENT 13

OFFICER'S NAME	COMPENSATION	EMPLOYEE BENEFIT PLAN CONTRIBUTION	EXPENSE ACCOUNT
SEE STATEMENT ATTACHED FOR COMPLETE LIST OF INDIVIDUALS	493,163.	394,858.	19,340.
NAME OF RELATED ORGANIZATION		EMPLOYER ID NUMBER	
CHIMES INTERNATIONAL, LTD.		52-2000359	
RELATIONSHIP BETWEEN ORGANIZATIONS			
SUPPORTING ORGANIZATION			

SCHEDULE A

EXPLANATION OF TRANSACTIONS
PART III, LINE 2C

STATEMENT 14

SEE "ATTACHMENT FOR SCHEDULE A, PART III, LINE 2"

SCHEDULE A

OTHER INCOME

STATEMENT 15

DESCRIPTION	2005 AMOUNT	2004 AMOUNT	2003 AMOUNT	2002 AMOUNT
SPECIAL EVENTS NET INCOME	330,818.	212,756.	365,169.	350,351.
TOTAL TO SCHEDULE A, LINE 22	330,818.	212,756.	365,169.	350,351.

SCHEDULE A

STATEMENT OF LOBBYING ACTIVITIES - PART VI-B

STATEMENT 16

THE ORGANIZATION PAYS DUES TO ANCOR, A NONPROFIT TRADE ASSOCIATION REPRESENTING PRIVATE PROVIDERS WHO PROVIDE SUPPORTS AND SERVICES TO PEOPLE WITH DISABILITIES. IT PROVIDES ADVOCACY FOR MEMBER AGENCIES AND THE PEOPLE AND FAMILIES THEY SERVE AND SUPPORT.

**CHIMES INTERNATIONAL LIMITED
AND RELATED ENTITIES**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
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June 30, 2007 and 2006

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Chimes International Limited and Related Entities (the Organization) as of June 30, 2007, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of Chimes International Limited and Related Entities. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized information has been derived from the Organization's June 30, 2006 consolidated financial statements and in our report dated October 13, 2006; we expressed an unqualified opinion on those consolidated financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Gorfine, Schiller & Gardyn P.A.

November 12, 2007
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,087,802	\$ 4,512,504
Accounts receivable, net of allowance for doubtful accounts	17,964,528	17,207,339
Pledges receivable	245,633	49,479
Prepaid expenses	767,441	776,400
Other current assets	232,122	209,468
Current portion of loans receivable	76,458	190,502
Due from third-party payor	-	218,577
Investments, unrestricted	4,429,311	3,540,360
Due from related party	<u>36,055</u>	<u>47,092</u>
Total current assets	<u>25,839,350</u>	<u>26,751,721</u>
NONCURRENT ASSETS		
Land, buildings and equipment, net of accumulated depreciation	24,009,435	19,960,893
Bond funds	-	94,280
Intangible assets, net of accumulated amortization	72,032	95,888
Long-term pledges receivable	360,000	-
Loans receivable, net of current portion	159,310	175,767
Investments, restricted	1,094,094	964,212
Workers' compensation fund	618,254	565,185
Other noncurrent assets	<u>1,415,995</u>	<u>1,166,411</u>
Total noncurrent assets	<u>27,729,120</u>	<u>23,022,636</u>
TOTAL ASSETS	<u>\$ 53,568,470</u>	<u>\$ 49,774,357</u>

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

	<u>2007</u>	<u>2006</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 558,478	\$ 652,106
Short-term borrowings	4,371,229	375,000
Accounts payable	3,763,985	6,692,066
Accrued expenses and other liabilities	11,570,703	10,278,665
Deferred revenue and refundable advances	8,724,358	8,878,336
Deferred rent	127,240	-
Due to third-party payors	<u>623,530</u>	<u>686,258</u>
Total current liabilities	<u>29,739,523</u>	<u>27,562,431</u>
LONG-TERM DEBT		
Bonds payable	2,410,090	2,768,094
Mortgages and notes payable	3,989,158	3,691,056
Capital lease obligations	<u>21,656</u>	<u>91,156</u>
Total long-term debt, net of current maturities	<u>6,420,904</u>	<u>6,550,306</u>
Total liabilities	<u>36,160,427</u>	<u>34,112,737</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted		
Undesignated	14,370,512	13,837,704
Board designated	<u>994,453</u>	<u>754,453</u>
	15,364,965	14,592,157
Temporarily restricted	948,984	105,251
Permanently restricted	<u>1,094,094</u>	<u>964,212</u>
Total net assets	<u>17,408,043</u>	<u>15,661,620</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 53,568,470</u>	<u>\$ 49,774,357</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2007 and 2006

	2007			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT				
Residential	\$ 40,020,463	\$ -	\$ -	\$ 40,020,463
Vocational	78,805,003	-	-	78,805,003
Educational	2,585,749	-	-	2,585,749
Medical day	2,538,232	-	-	2,538,232
Other programs	20,874,133	-	-	20,874,133
Management fees	261,086	-	-	261,086
Donations and grants	375,314	838,794	-	1,214,108
Miscellaneous	463,361	-	-	463,361
Fundraising income	539,835	-	-	539,835
Investment income	279,215	4,939	129,882	414,036
Gain on sale of assets	8,630	-	-	8,630
Total revenue, gains and other support	<u>146,751,021</u>	<u>843,733</u>	<u>129,882</u>	<u>147,724,636</u>
EXPENSES				
Residential	35,139,652	-	-	35,139,652
Vocational	69,045,426	-	-	69,045,426
Educational	2,182,889	-	-	2,182,889
Medical day	2,641,765	-	-	2,641,765
Other programs	17,249,391	-	-	17,249,391
Administrative	19,367,803	-	-	19,367,803
Fundraising	351,287	-	-	351,287
Total expenses	<u>145,978,213</u>	<u>-</u>	<u>-</u>	<u>145,978,213</u>
CHANGES IN NET ASSETS	772,808	843,733	129,882	1,746,423
NET ASSETS, Beginning of year	<u>14,592,157</u>	<u>105,251</u>	<u>964,212</u>	<u>15,661,620</u>
NET ASSETS, End of year	<u>\$ 15,364,965</u>	<u>\$ 948,984</u>	<u>\$ 1,094,094</u>	<u>\$ 17,408,043</u>

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, 2007 and 2006

	2006			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT				
Residential	\$ 38,256,557	\$ -	\$ -	\$ 38,256,557
Vocational	76,610,255	-	-	76,610,255
Educational	2,700,802	-	-	2,700,802
Medical day	2,995,939	-	-	2,995,939
Other programs	20,466,914	-	-	20,466,914
Management fees	134,199	-	-	134,199
Donations and grants	535,079	105,000	-	640,079
Miscellaneous	453,907	-	-	453,907
Fundraising income	437,547	-	-	437,547
Investment income	199,677	251	10,370	210,298
Gain on sale of assets	426,404	-	-	426,404
Total revenue, gains and other support	<u>143,217,280</u>	<u>105,251</u>	<u>10,370</u>	<u>143,332,901</u>
EXPENSES				
Residential	34,371,398	-	-	34,371,398
Vocational	68,033,015	-	-	68,033,015
Educational	2,030,226	-	-	2,030,226
Medical day	2,933,098	-	-	2,933,098
Other programs	16,389,769	-	-	16,389,769
Administrative	18,546,940	-	-	18,546,940
Fundraising	160,584	-	-	160,584
Total expenses	<u>142,465,030</u>	<u>-</u>	<u>-</u>	<u>142,465,030</u>
CHANGES IN NET ASSETS	752,250	105,251	10,370	867,871
NET ASSETS, Beginning of year	<u>13,839,907</u>	<u>-</u>	<u>953,842</u>	<u>14,793,749</u>
NET ASSETS, End of year	<u>\$ 14,592,157</u>	<u>\$ 105,251</u>	<u>\$ 964,212</u>	<u>\$ 15,661,620</u>

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

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2007 (With Comparative Totals for 2006)

	2007				
	Programs				
	<u>Residential</u>	<u>Vocational</u>	<u>Educational</u>	<u>Medical Day</u>	<u>Other Programs</u>
Personnel costs					
Salaries	\$ 22,375,002	\$ 37,199,563	\$ 1,362,803	\$ 1,407,250	\$ 12,020,133
Payroll taxes	1,835,398	3,077,512	94,280	111,976	920,081
Employee benefits	2,623,037	8,655,983	160,773	206,427	385,828
Administrative allocation	5,207	-	-	6,014	-
Advertising	14,372	14,876	-	55	32,751
Automobile expenses	662,065	436,484	8,858	179,141	21,117
Bad debts	-	-	-	-	362,817
Contracted services	86,174	101,491	53,000	13,060	-
Contract maintenance	221,334	6,958,592	103,793	28,019	-
Depreciation and amortization	352,408	795,591	5,432	63,256	69,275
Fundraising	-	-	-	-	-
Housekeeping	279,023	31,356	3,984	-	67,973
Insurance	1,016,503	1,485,782	25,099	23,804	334,812
Interest expense	93,527	9,186	-	71,711	73,622
Management fees	-	-	-	-	-
Other expenses	56,335	1,949,362	6,292	4,873	88,241
Other program expenses	2,980,570	6,004,499	86,877	539,585	933,828
Postage	11,184	17,851	156	31	22,971
Printing	6,045	1,060	-	-	16,863
Professional fees	500	744	3,000	-	-
Rent	1,355,251	318,146	186,432	-	835,720
Repairs and maintenance	251,802	742,846	12,639	8,586	201,808
Start-up costs	-	-	-	-	102,141
Supplies	86,175	70,846	7,997	10,006	160,742
Telephone	214,143	170,025	4,722	13,816	170,761
Temporary staffing	556,599	457,166	62,018	150,964	4,815
Travel expense	130,449	209,215	626	631	263,574
Utilities	761,036	259,363	65,669	53,542	165,382
Total before eliminations	35,974,139	68,967,539	2,254,450	2,892,747	17,255,255
Eliminations	(834,487)	77,887	(71,561)	(250,982)	(5,864)
TOTAL	<u>\$ 35,139,652</u>	<u>\$ 69,045,426</u>	<u>\$ 2,182,889</u>	<u>\$ 2,641,765</u>	<u>\$ 17,249,391</u>

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

2007				2006	
Total Program Services	Supporting Services			Total Expenses	Total Expenses
	Administrative Expenses	Fundraising	Total Supporting Services		
\$ 74,364,751	\$ 9,035,442	\$ -	\$ 9,035,442	\$ 83,400,193	\$ 80,170,989
6,039,247	665,232	-	665,232	6,704,479	6,409,877
12,032,048	1,211,095	-	1,211,095	13,243,143	11,961,404
11,221	-	-	-	11,221	8,400
62,054	170,364	1,170	171,534	233,588	205,007
1,307,665	293,489	-	293,489	1,601,154	1,618,420
362,817	-	48,925	48,925	411,742	345,473
253,725	383,383	-	383,383	637,108	696,865
7,311,738	868,587	-	868,587	8,180,325	8,107,957
1,285,962	1,206,753	-	1,206,753	2,492,715	2,656,134
-	-	268,821	268,821	268,821	128,341
382,336	6,784	-	6,784	389,120	433,172
2,886,000	1,474,744	-	1,474,744	4,360,744	4,576,093
248,046	749,160	-	749,160	997,206	855,757
-	8,255,023	-	8,255,023	8,255,023	7,506,506
2,105,103	419,954	83,744	503,698	2,608,801	3,149,398
10,545,359	105,117	-	105,117	10,650,476	11,541,047
52,193	116,822	-	116,822	169,015	153,286
23,968	1,289	-	1,289	25,257	26,762
4,244	1,097,705	-	1,097,705	1,101,949	1,297,625
2,695,549	461,934	-	461,934	3,157,483	3,016,200
1,217,681	440,622	-	440,622	1,658,303	1,585,716
102,141	-	-	-	102,141	149,173
335,766	275,353	-	275,353	611,119	556,511
573,467	547,181	-	547,181	1,120,648	1,074,940
1,231,562	64,765	-	64,765	1,296,327	1,306,346
604,495	186,695	-	186,695	791,190	690,252
1,304,992	141,291	-	141,291	1,446,283	1,308,396
127,344,130	28,178,784	402,660	28,581,444	155,925,574	151,536,047
(1,085,007)	(8,810,981)	(51,373)	(8,862,354)	(9,947,361)	(9,071,017)
<u>\$ 126,259,123</u>	<u>\$ 19,367,803</u>	<u>\$ 351,287</u>	<u>\$ 19,719,090</u>	<u>\$ 145,978,213</u>	<u>\$ 142,465,030</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2007 and June 30, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,746,423	\$ 867,871
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	2,468,859	2,628,658
Amortization	23,856	27,476
Mortgage amortization	(91,242)	(86,131)
Provision for bad debts	411,742	345,473
Unrealized (gain) loss on investments	(70,484)	67,638
Gain on sale of land, buildings and equipment	(8,630)	(468,322)
Changes in operating assets and liabilities		
Accounts receivable	(1,168,931)	492,698
Pledges receivable	(556,154)	(30,361)
Prepaid expenses	8,959	(18,712)
Other current assets	(22,654)	(73,343)
Due from/to third-party payors, net	155,849	111,426
Other noncurrent assets	(249,584)	(802,563)
Accounts payable	(2,928,081)	3,103,932
Accrued expenses and other liabilities	1,292,038	(637,050)
Deferred rent	127,240	-
Deferred revenue	(153,978)	8,806,331
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>985,228</u>	<u>14,335,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawals from (deposits into) bond funds, net	94,280	(938)
Withdrawals from workers' compensation fund, net	(53,069)	(173,563)
Purchases of investments	(5,040,732)	(3,655,675)
Disbursement for loans receivable	(620,000)	(203,000)
Loans receivable collected	750,501	161,731
Acquisition of land, buildings and equipment	(5,977,271)	(3,025,080)
Proceeds from sales of land, buildings and equipment	13,500	969,825
Proceeds from sales of investments	<u>4,092,383</u>	<u>2,470,343</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(6,740,408)</u>	<u>(3,456,357)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on bonds	(385,178)	(512,168)
Payments on capital lease obligations	(148,803)	(183,130)
Payments on mortgages and notes	(142,807)	(113,510)
Proceeds from short-term borrowings, net	3,996,229	(9,330,160)
Due to (from) related entities, net	<u>11,037</u>	<u>(65,142)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>3,330,478</u>	<u>(10,204,110)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,424,702)	674,554
CASH AND CASH EQUIVALENTS, Beginning of year	<u>4,512,504</u>	<u>3,837,950</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,087,802</u>	<u>\$ 4,512,504</u>

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, 2007 and 2006

NOTE A – NATURE OF OPERATIONS

Chimes International Limited and Related Entities (the Organization) provide services to people with disabilities living in the States of Maryland, Delaware, Pennsylvania, Virginia, New Jersey, North Carolina and also the District of Columbia. The Organization provides programs in the areas of residential, vocational, educational, medical day, mental health, drugs and substance abuse and administrative services.

Residential programs provide housing with varying levels of supervision, dependent upon the consumers' needs. Vocational programs offer both vocational and skills training that prepare consumers for job opportunities. Educational programs teach consumers from ages 6 to 21 various academic, motor, social and basic living skills. Medical day programs teach consumers socialization, hygiene, mobility and basic living skills. Administrative services are provided both to the Organization as well as outside providers.

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).

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 (Foundation)	Common management
Intervals Residential Services, Inc. (Intervals)	Chimes – Maryland has sole membership
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
Developmental Services of New Jersey, Inc. (DSNJ)	International has sole membership

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

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117 *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, 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 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 SFAS No. 116. 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 from the State of Maryland or municipalities in Maryland, as well as from the States of Delaware, Pennsylvania, Virginia, New Jersey and the District of Columbia. 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 service arrangements.

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, and with no operating restrictions, to be cash equivalents. Periodically during the year, cash and cash equivalents may have exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limitation of \$100,000. 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. Based upon a review of the receivables as of June 30, 2007 and 2006, management recorded an allowance for doubtful accounts of \$317,781 and \$341,254, 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. Uncollectible promises are expected to be insignificant and the Foundation has not recorded an allowance for uncollectible pledges.

Foundation is the recipient of unconditional pledges receivable at June 30, 2007, which are expected to be received as follows:

Receivable in less than 1 year	\$ 245,633
Receivable in 1 to 5 years	<u>360,000</u>
Total unconditional pledges receivable	<u>\$ 605,633</u>

Management anticipates that all unconditional pledges are collectible. Accordingly, no allowance for uncollectible pledges has been established. Management determined the discounts to net present value were immaterial and hence not recorded.

9. Land, Buildings and Equipment

The 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 is \$1,000, 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	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) corporations providing similar services as the Organization.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Investments and Investment Income

The Organization adopted Statement of Financial Accounting Standards (SFAS) No. 124 *Accounting for Certain Investments Held by Not-for-Profit Organizations* and is required to account 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. Other Assets

Other assets consist of miscellaneous deposits and the cash value of life insurance.

12. Loans Receivable

Loans receivable are reported at their outstanding principal balance. Loans receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of the borrowers, the estimated value of the underlying collateral and current economic conditions.

13. 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.

14. 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. However, during the current year, Chimes – DC's tax status was changed to a private foundation. As a result of that status change, Chimes – DC applied to be a supporting organization of Chimes – Maryland with an expected effective date of July 1, 2007. As of the report date, the IRS has not formally approved that request. Management believes that they will receive approval from the IRS before the end of the next fiscal year. None of the Organizations' activities, with the exception of International, (see Note U) are subject to the tax on unrelated business income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. Deferred Revenue and Refundable Advances

Revenue is recognized as earned. Amounts billed 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.

16. Advertising

Advertising costs are charged to operations when incurred. The Organization had no significant direct-response advertising. Advertising expense was \$233,588 and \$205,007 for the years ended June 30, 2007 and 2006, respectively.

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, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Land	\$ 2,325,363	\$ 2,168,332
Building and improvements	23,338,934	22,542,371
Land improvements	246,974	241,474
Automobiles	2,467,231	2,131,811
Furnishings and equipment	13,781,754	12,395,192
Leasehold improvements	522,789	496,521
Construction in progress	<u>3,650,379</u>	<u>1,000</u>
 Total land, buildings and equipment	 46,333,424	 39,976,701
 Less: accumulated depreciation	 <u>22,323,989</u>	 <u>20,015,808</u>
 Net land, buildings and equipment	 <u>\$ 24,009,435</u>	 <u>\$ 19,960,893</u>

Depreciation on these assets for the years ended June 30, 2007 and 2006 was \$2,468,859 and \$2,628,658, respectively.

NOTE D – INVESTMENTS

Investments included in the Organization's consolidated statements of financial position at June 30, 2007 and 2006 are as follows:

	2007		2006	
	Cost	Market Value	Cost	Market Value
Cash and money market funds	\$ 376,115	\$ 376,115	\$ 120,111	\$ 120,111
Certificates of deposit	3,895,000	3,883,816	3,230,000	3,221,757
Bonds	223,868	221,648	299,748	293,952
Common stocks	259,393	328,655	254,835	291,482
Mutual funds	563,751	708,804	449,433	547,177
Other investments	4,367	4,367	30,093	30,093
	<u>\$ 5,322,494</u>	<u>\$ 5,523,405</u>	<u>\$ 4,384,220</u>	<u>\$ 4,504,572</u>

As described in Note N, included in the above investments are permanently restricted investments in the amount of \$1,094,094 and \$964,212 as of June 30, 2007 and 2006, respectively.

The following schedule summarizes the investment income and its classification in the consolidated statements of activities for the years ended June 30, 2007 and 2006:

	2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 262,326	\$ 5,213	\$ 11,557	\$ 279,096
Realized gains (losses) - net	12,088	-	52,368	64,456
Unrealized gains (losses) - net	4,800	(274)	65,958	70,484
	<u>\$ 279,214</u>	<u>\$ 4,939</u>	<u>\$ 129,883</u>	<u>\$ 414,036</u>

	2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 221,800	\$ 310	\$ 13,908	\$ 236,018
Realized gains (losses) - net	1,391	-	40,527	41,918
Unrealized gains (losses) - net	(23,514)	(59)	(44,065)	(67,638)
	<u>\$ 199,677</u>	<u>\$ 251</u>	<u>\$ 10,370</u>	<u>\$ 210,298</u>

NOTE E – INTANGIBLE ASSETS

Intangible assets at June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Bond issuance	\$ 326,469	\$ 326,469
Client list	<u>-</u>	<u>30,400</u>
	326,469	356,869
Less: accumulated amortization	<u>254,437</u>	<u>260,981</u>
Net intangible assets	<u>\$ 72,032</u>	<u>\$ 95,888</u>

During the current year, \$4,560 of client list was written off.

Amortization expense, including amounts written off for client list, was \$23,856 and \$27,476 for the years ended June 30, 2007 and 2006, respectively.

NOTE F – LOANS RECEIVABLE

Loans receivable at June 30, are as follows:

	<u>2007</u>	<u>2006</u>
Loan receivable from an unrelated party, secured by a deed of trust on real property, to be repaid by monthly payments of \$2,213, beginning September 2005, original loan amount of \$203,000. Loan receivable assumes a 6.0% interest rate over a 60 month term, with a balloon payment of \$122,298 due on August 1, 2010.	\$ 175,768	\$ 191,269
Loan receivable from a closely held corporation, secured by all of the debtor's personal property, due upon demand, payments of interest at prime plus 1% per annum, beginning March 2007, with a lending base of up to \$200,000.	60,000	-
Loan receivable from a closely held corporation, secured by a 49% interest in the corporation (see Note U), due upon demand, payments of interest at prime plus 2% per annum, beginning July 2004, with a lending base of up to \$500,000.	<u>-</u>	<u>175,000</u>
	235,768	366,269
Less: current portion	<u>76,458</u>	<u>190,502</u>
	<u>\$ 159,310</u>	<u>\$ 175,767</u>

NOTE G – SHORT-TERM BORROWINGS

International has a \$7,500,000 line of credit with PNC Bank (PNC) (formerly Mercantile Safe Deposit & Trust Company (Mercantile)), due on demand. The line is collateralized by most properties of Chimes – Maryland, is cross-collateralized and cross-defaulted with all other loans to the borrower and related entities and bears interest at the prime rate (8.25% at June 30, 2007 and 2006). The outstanding balance at June 30, 2007 and 2006 was \$541,981 and \$0, respectively.

Holcomb has a \$1,000,000 working capital line of credit collateralized by business assets. The note had a floating interest rate of 8.25% at June 30, 2007 and 2006. The outstanding balance at June 30, 2007 and 2006 was \$300,000 and \$375,000, respectively.

Holcomb also has a \$500,000 real estate purchasing agent line of credit. The note had a floating interest rate of 8.25% at June 30, 2007 and 2006. There was no outstanding borrowings as of June 30, 2007 and 2006.

Chimes – DC has a \$10,000,000 line of credit with PNC, due on demand. The line 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 note requires the Organization to have \$1,000,000 of key man life insurance, but the bank has elected to waive this requirement for the year ended June 30, 2007. The line bears interest at the prime rate (8.25% at June 30, 2007 and 2006). The outstanding balance at June 30, 2007 and 2006 was \$3,529,248 and \$0, respectively.

DSNJ had \$200,000 a bank line of credit collateralized by business assets. During the prior year, this line of credit was terminated.

Open Door has a \$50,000 bank line of credit collateralized by business assets. The floating annual rate of interest was 9.25% and 8.00% at June 30, 2007 and 2006, respectively. There were no outstanding borrowings as of June 30, 2007 and 2006.

Family Services has a \$25,000 bank line of credit collateralized by business assets. The floating annual rate of interest was 8.5% and 7.75% at June 30, 2007 and 2006, respectively. There were no outstanding borrowings as of June 30, 2007 and 2006.

NOTE H – BONDS PAYABLE

Economic Development Revenue Bonds – 1992 Series

The Economic Development Revenue Bonds of 1992, issued in an original amount of \$2,312,437, had a fifteen-year maturity (September 2006). Monthly principal payments of \$12,847 began October 1992. The bonds were collateralized by certain of Chimes – Maryland's real property, equipment, rents, licenses and records, funds deposited in escrow, and all related proceeds and products. The bonds were cross-collateralized and cross-defaulted with all other loans to the borrower and related entities. On March 1, 1997, as part of the 1997 Series bond financing, Chimes – Maryland refinanced this obligation to an interest rate of 77% of the bank's prime rate (6.16% at June 30, 2006). All other bond provisions remained the same. The bonds payable balance at June 30, 2006 was \$27,174. During the current year, the bond was paid off in full (see Note J).

NOTE H – BONDS PAYABLE - Continued

Economic Development Revenue Bonds – 1997 Series

On March 29, 1997, Chimes – Maryland acquired funding of \$2,270,067 in Economic Development Revenue Bonds to purchase new corporate headquarters, refinance existing debts and pay associated costs of the transaction. The bonds have a fifteen-year maturity (April 2011) and an interest rate equal to 77% of the issuing bank's prime rate (6.35% and 6.16% at June 30, 2007 and 2006, respectively). Monthly principal payments of \$12,611 began in May of 1997. The bonds are collateralized by the real property, equipment, rents, licenses and records and all proceeds and products of the above. The bonds are cross-collateralized and cross-defaulted with all other loans to the borrower and related entities. The bonds payable balance at June 30, 2007 and 2006 was \$563,753 and \$715,091, respectively.

Economic Development Revenue Bonds – 1998 Series

On March 31, 1998, Chimes – Maryland acquired funding of \$1,100,000 in Economic Development Revenue Bonds. The bonds have a fifteen-year maturity (April 2013) and bear interest at 77% of the issuing bank's prime rate (6.35% and 6.16% at June 30, 2007 and 2006, respectively). Monthly payments of \$6,111 began in May 1998. The bonds are collateralized by certain of Chimes – Maryland's real property, equipment, rent, licenses and records, and all related proceeds and products. The bonds are cross-collateralized and cross-defaulted with all other loans to the borrower and related entities. The bonds payable balance at June 30, 2007 and 2006 was \$421,667 and \$495,000, respectively.

Maryland Economic Development Corporation Bonds

During 2002, Intervals received a commitment for the issuance of Maryland Economic Development Corporation Bonds (MEDCO) in an amount up to \$3,000,000. As of June 30, 2007 and 2006, Intervals had received proceeds from the Bonds in the amount of \$2,493,785. The proceeds from these bonds were used to finance the acquisition of six acres of land and the construction of a 30,000 square foot building located in Baltimore City, Maryland. The bonds have a fifteen-year maturity (March 2017) and bear interest at 77% of the issuing bank's prime rate (6.35% and 6.16% at June 30, 2007 and 2006, respectively). Intervals intends to make periodic payments to reduce principal as funds become available and interest rates make it favorable to do so. The bonds are collateralized by a first lien on the land and the building and are cross-collateralized and cross-defaulted with all other loans to the borrower and related entities. The bonds payable balance at June 30, 2007 and 2006 was \$1,782,674 and \$1,916,007, respectively.

NOTE H – BONDS PAYABLE - Continued

Principal payable maturities of the bonds for the next five years and thereafter as of June 30, 2007 are as follows:

Years ending June 30, 2008	\$ 358,004
2009	358,004
2010	358,004
2011	316,405
2012	206,666
Thereafter	<u>1,171,011</u>

2,768,094

Less: current maturities 358,004

\$ 2,410,090

Interest expense related to bonds payable, mortgages and notes payable and capital leases included in the consolidated statements of activities for the years ended June 30, 2007 and 2006 was \$997,206 and \$855,757, respectively.

NOTE I – MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable at June 30, are as follows:

	<u>2007</u>	<u>2006</u>
Mortgage payable to bank, payable until February 2015, monthly installments of \$469 including interest at 7.75%, collateralized by a building.	\$ 32,435	\$ 35,419
Note payable to a financing company, with 60 monthly installments of \$344 and collateralized by respective vehicles. Non-interest bearing.	3,782	7,907
Note payable to a financing company, with 60 monthly installments of \$344 and collateralized by a vehicle. Non-interest bearing.	5,382	9,694
Note payable to a financing company, with 60 monthly installments of \$6,561 and collateralized by respective vehicles. The note bears interest at 6.337%	205,546	268,499

NOTE I – MORTGAGES AND NOTES PAYABLE - Continued

	<u>2007</u>	<u>2006</u>
Mortgage payable to a bank dated December 29, 1995, collateralized by the property at 225 South 69th Street, Upper Darby, Pennsylvania. The note is for a term of 240 months with an interest rate of 6.75% per annum is subject to adjustment every 60 months to the bank's prevailing rate of interest on five-year adjustable rate commercial mortgage loans in effect at the time of adjustment. Currently, the monthly principal and interest payment is \$1,302.	\$ 100,832	\$ 109,334
Note payable to Title Abstract Company of Pennsylvania dated December 29, 1995, collateralized by the property at 225 South 69th Street, Upper Darby, Pennsylvania. Montly payments of \$595 are due over 180 months, including interest at 6.0% per annum.	-	28,545
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 \$1,220, with interest at 5.76% per annum.	142,576	147,481
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. Currently, the monthly payment of principal and interest is \$2,145.	284,322	293,973
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, 2007 and June 30, 2006. Currently, the monthly payment of principal and interest is \$1,464.	189,671	195,782

NOTE I – MORTGAGES AND NOTES PAYABLE - Continued

	<u>2007</u>	<u>2006</u>
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 \$1,522, with interest at the current rate of 8.26% per annum.	\$ 161,324	\$ 166,305
Mortgage payable to a bank dated October 22, 1999 collateralized by the property at 718 North Bridge Street, Elkton, Maryland. The loan term is 360 months with the interest rate adjusted every five years, with the rate adjustment limited to 2% up or down. Currently, the monthly payment of principal and interest is \$1,821, with interest at a current rate of 7.0%.	244,569	248,864
The eleven homes owned by DSNJ were acquired and renovated using purchase money mortgages provided by the State of New Jersey, Department of Human Services. Under the terms of the mortgage and the contract agreement, DSNJ is liable to the State of New Jersey upon expiration or termination of the contract. The agreements mature in various years through 2036. It is anticipated that the State will renew the agreements. Should the agreements be discontinued or terminated by either party, the State can (1) transfer title to a non-profit agency of its choosing; (2) pay DSNJ a settlement based on the current fair market value of the group home and assume title; or (3) require payment to satisfy the mortgage or require a sale to satisfy the mortgage and split sales proceeds based on the percentage of the original investment plus appreciation of each party in the facilities. Should the proceeds be less than the amount of the mortgage, then the amount will satisfy the indebtedness under the mortgage, without recourse to DSNJ.		
The mortgages are being amortized evenly over a 30 year period, approximately the useful lives of the associated properties. If payment to satisfy the mortgages was required as of June 30, 2007, the maximum potential liability would be \$2,206,334.	2,206,334	2,297,576

NOTE I – MORTGAGES AND NOTES PAYABLE - Continued

	<u>2007</u>	<u>2006</u>
Mortgage payable to Wilmington Trust Company dated March 29, 2007, collateralized by the properties at 5 Wollaston Road, Wilmington, Delaware and 10 Cordele Road, Newark, Delaware. Monthly payments of \$4,619 are due over 60 months, with a balloon payment of \$483,140 due on April 1, 2012, including interest at 8.05% per annum. The mortgage is guaranteed by International.	\$ 543,557	\$ -
	4,120,330	3,809,379
Less: current maturities	<u>131,172</u>	<u>118,323</u>
	<u>\$ 3,989,158</u>	<u>\$ 3,691,056</u>

Payments of principal during the next five years and thereafter as of June 30, 2007, are as follows:

Years ending June 30, 2008	\$ 131,172
2009	133,406
2010	130,989
2011	68,980
2012	542,172
Thereafter	<u>3,113,611</u>
	<u>\$ 4,120,330</u>

NOTE J – BOND FUNDS

The Reserve Fund agreement for the Economic Development Revenue Bonds of 1992 requires Chimes – Maryland to deposit annually prior to the end of the fiscal year into a restricted reserve account.

The deposit is calculated as the difference in interest accrued at 7.0% for the year and the interest actually accrued based on the bond rate. As of June 30, 2006, the Organization met the 1992 Series Bond sinking fund requirement. The balance of the fund at June 30, 2006 was \$94,280. During the current year, in conjunction with the payoff of the Economic Development Revenue Bonds of 1992 (see Note H), the bond funds were used up in full.

NOTE K – CAPITAL LEASE OBLIGATIONS

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

	<u>2007</u>	<u>2006</u>
Furnishings and equipment	\$ 402,124	\$ 600,511
Less: accumulated depreciation	<u>337,858</u>	<u>394,304</u>
Net furnishings and equipment	<u>\$ 64,265</u>	<u>\$ 206,207</u>

Future minimum lease payments and the present value of such payments under capitalized obligations at June 30, 2007 are:

Years ending June 30, 2008	\$ 72,186
2009	9,033
2010	8,226
2011	<u>6,078</u>
	95,523
Less: amount representing interest	<u>4,565</u>
Present value of capital lease obligations at June 30, 2007	90,958
Less: current maturities	<u>69,302</u>
Long-term portion of present value of capital lease obligations at June 30, 2007	<u>\$ 21,656</u>

NOTE L – BOARD DESIGNATED NET ASSETS

The Board of Directors designated \$994,453 and \$754,453 at June 30, 2007 and 2006, respectively, of unrestricted net assets that the Organization set aside for the Foundation to invest.

NOTE M – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2007 and 2006, was available for the following purposes:

	<u>2007</u>	<u>2006</u>
Tina Hyatt Fund	\$ 110,190	\$ 105,251
Capital campaign	<u>838,794</u>	<u>-</u>
	<u>\$ 948,984</u>	<u>\$ 105,251</u>

NOTE N – PERMANENTLY RESTRICTED NET ASSETS

NOTE O – PENSION PLAN

Chimes – Maryland has established a Money Purchase Pension Plan covering substantially all employees. Chimes – Maryland, Chimes – Delaware, Chimes – VA, International, Intervals and DSNJ are included in this plan. The Organization contributes 2.5% of the annual salaries of participants. Pension expense for the years ended June 30, 2007 and 2006, was \$630,010 and \$599,429, respectively. Chimes – Maryland's Pension Committee is Trustee of the Plan and Wachovia Bank is Custodian.

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, 2007 and 2006 was \$290,427 and \$333,088, respectively. Contributions are paid into a separate restricted trust account for the plan with investments subject to the discretion of the participants. The maximum aggregated benefits cannot exceed twice the maximum annual compensation of each covered employee.

On July 1, 1998, Chimes – Maryland established a 401(k) plan covering substantially all employees. Subsequently, the plans operations were assumed by International on behalf of its related subsidiaries, Chimes – Maryland, Chimes – Delaware, Chimes – VA, Intervals and DSNJ. Effective July 1, 2004, participation in this plan was limited to individuals earning less than \$80,000. Since that time, the ceiling has been adjusted. For the years ending June 30, 2007 and 2006, the ceilings were \$100,000 and \$95,000, respectively. The Organization matches employee contributions up to 3% of the annual salaries of participants. The 401(k) contribution expense for the years ended June 30, 2007 and 2006, was \$353,040 and \$437,634, respectively.

NOTE O – PENSION PLAN - Continued

Effective January 1, 2000, Holcomb adopted the “Holcomb Associates, Inc. 403(b) Plan” which matches employee contributions at 50% up to 3% of annual salary, with 100% vesting after five years of participation. Contributions for the years ended June 30, 2007 and 2006 were \$59,154 and \$56,879, respectively.

In 2001, Chimes – Maryland (assigned to International effective July 1, 2004) established a severance benefit for certain administrative employees, equal to one months base salary per year of employment for the Chief Executive Officer, up to a maximum of 24 months salary, and two weeks base salary per year of employment for the other administrative employees eligible for the benefit, up to a maximum of 52 weeks salary. In 2003, the severance plan was modified and expanded into a supplemental retirement benefit and, in the case of the Chief Executive Officer, termination for cause. In 2005, the severance plan was modified to clarify certain vesting provisions. The benefit is unfunded, and subject to complete forfeiture by the employee in the event that he shall voluntarily resign from the Organization prior to the date on which the employee becomes eligible for retirement. The benefit was modified to pay one months total cash compensation, or two weeks total cash compensation, for each year of employment, in lieu of one months base salary or two weeks base salary, where “total cash compensation” is defined as (i) the employee’s highest annual rate of salary during his term of employment, plus (ii) the employee’s highest annual incentive bonus paid during his term of employment, all divided by 12 (to determine one months total cash compensation) or divided by 52 (to determine one weeks total cash compensation). In addition, the benefit for the Chief Operating Officer was revised to be equal to one months total cash compensation per year of employment, up to a maximum of 12 months total cash compensation. As of June 30, 2007 and 2006, the maximum aggregate commitment is \$203,236 and \$491,419, respectively. As of June 30, 2007 and 2006, the Organization has recorded a liability of \$103,393 and \$371,018, respectively in these consolidated financial statements representing the present value of the future obligation for retirement benefits.

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. For the years ending June 30, 2007 and 2006, the plan floor was \$100,000 and \$95,000, respectively. Chimes – Maryland, Chimes – Delaware, Chimes – VA, International, Intervals and DSNJ all participate in this plan. The Organization matches employee contributions up to 3% of the annual salaries of participants. The 403(b) contribution expense for the years ended June 30, 2007 and 2006, was \$40,912 and \$33,260, respectively.

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.

NOTE P – DEFERRED RENT - Continued

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

Year ending June 30, 2008	\$ (1,638)
2009	(4,147)
2010	(5,939)
2011	(8,447)
2012	(12,748)
Thereafter	<u>(94,321)</u>
	<u>\$ (127,240)</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 the National Institute for the Severely Handicapped (NISH) as compensation for procuring Federal government contracts for Chimes – DC in the amount of 4% of cash received for services from those contracts. NISH fees paid for the years ended June 30, 2007 and 2006 totaled \$1,548,327 and \$1,782,607, respectively.

The Organization leases numerous residences and buildings for its clients and administration. The future minimum lease payments as of June 30, 2007 are as follows:

Year ending June 30, 2008	\$ 2,169,265
2009	1,050,928
2010	793,293
2011	532,618
2012	206,767
Thereafter	1,283,292

The Organization has also entered into numerous auto lease agreements that are treated as operating leases. The agreements have various expiration dates. All operating leases are cancelable at any time with a payment of approximately one month of lease payments. Lease expense related to equipment, buildings and vehicles included in the consolidated statements of activities for the years ended June 30, 2007 and 2006 was \$3,916,626 and \$3,748,599, respectively.

There are multi-year employment commitments to some key employees. Maximum terms of the commitments are five years at normal salary and benefit levels, with no monies due if the employees are terminated for cause, except for the Chief Executive Officer for which there is no for cause provision.

NOTE Q – COMMITMENTS AND CONTINGENCIES - Continued

The Organization acts as an agent on behalf of individuals served regarding the holding of client cash funds. At June 30, 2007 and 2006 the Organization was holding \$773,428 and \$789,141, respectively, in client funds, which have not been reflected in these consolidated financial statements.

Purchase Commitment:

As of June 30, 2007, the Organization has an outstanding purchase commitment of approximately \$874,000, in relation to the construction of a school building for Chimes – Maryland.

Legal Contingencies:

The Organization has several pending legal matters, the most significant of which is summarized below.

An action has been brought about by a subcontractor of Chimes – DC alleging that Chimes – DC owes them \$2.4 million dollars for work performed on a government building. Management believes that the litigation filed by the subcontractor is without merit and the subcontractor has failed to provide sufficient information to substantiate its claims. This case is in the early stages and management will contest the case vigorously. It is too early in the litigation to predict with any certainty the outcome of the litigation, but management is confident that it will prevail.

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.

NOTE R – RELATED PARTY TRANSACTIONS

The Organization has made and received advances to and from certain related parties. No interest accrues on these advances and they are due on demand. The balances of these advances at June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Due from Chimes Israel	\$ 36,055	\$ 47,092

NOTE S – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest during the years ended June 30, 2007 and 2006, was \$997,206 and \$855,757, respectively.

The Organization had noncash financing transactions relating to mortgages payable on land, building and improvements. In the prior year, the Organization disposed of property with a mortgage balance of \$385,400, less accumulated amortization of \$14,988 for which the net amount of \$370,412 in mortgage payable was released, respectively. During the years ended June 30, 2007 and 2006, the Organization had noncash financing used to acquire land, buildings and improvements with a mortgage payable totaling \$545,000 and \$538,752, respectively.

NOTE T – DUE FROM/TO THIRD-PARTY PAYOR

Due from third-party payor:

Amounts due from third-party payor represent the estimated settlement associated with the cost report filed with the State of Delaware for the years ended June 30, 2007 and 2006. The cost report is subject to verification by the State of Delaware leading to a final settlement. The estimated amounts due from the States of Delaware and New Jersey as of June 30, 2007 and 2006 were \$0 and \$218,577, respectively.

Due to third-party payor:

Amounts due to third-party payor include, monies DSNJ received in the prior year for selling a property that was funded by the Department and hence, due to the State of New Jersey (see Note C). The amount due to the State of New Jersey as of June 30, 2006 was \$569,633. This amount was paid in full during the current year. During the current year, the Organization received monies 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, 2007 and 2006 is \$623,530 and \$686,258, respectively.

NOTE U – INVESTMENTS IN CLOSELY HELD COMPANIES

As of June 30, 2007, the Foundation held a 49% interest in a closely held corporation (Corporation – 1) with no capital investment. Corporation – 1 operates on a calendar year and reported operating losses during the initial year of operations. Additionally, the Foundation loaned Corporation – 1 \$290,000 in connection with start up, with interest payable at a rate of prime plus 2% adjusted monthly. New loans and payments during the years ended June 30, 2007 and 2006, resulted in a net decrease in the balance to \$0 and \$175,000, respectively. The agreement states that International, which provides accounting and payroll services, receives a management fee of 3% of Corporation – 1's gross revenues. Total management fee income was \$176,357 and \$134,199 for the years ending June 30, 2007 and 2006, respectively. This fee is taxable under Internal Revenue Code Section 512. For the years ended June 30, 2007 and 2006, there was no liability for unrelated business income taxes.

During the current year, the Foundation acquired a 49% interest in a closely held corporation (Corporation – 2) with no capital investment. Corporation – 2 operates on a calendar year and reported operating losses during the initial year of operations. Additionally, the Foundation loaned Corporation – 2 \$60,000 in connection with start up, with interest payable at a rate of prime plus 1% adjusted monthly. The agreement states that International, which provides accounting and payroll services, receives a management fee of 3% of Corporation – 2's gross revenues. Total management fee income was \$0 for the year ending June 30, 2007. This fee is taxable under Internal Revenue Code Section 512. For the year ended June 30, 2007, there was no liability for unrelated business income taxes.

SUPPLEMENTARY INFORMATION



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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

Our report on our audit of the basic consolidated financial statements of Chimes International Limited and Related Entities for the year ended June 30, 2007 appears on page 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. The audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Gorfine, Schiller & Gardyn P.A.

**November 12, 2007
Owings Mills, Maryland**

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2007

	<u>The Chimes, Inc.</u>	<u>Chimes Metro, Inc</u>	<u>Chimes District of Columbia, Inc</u>	<u>Chimes Virginia, Inc.</u>	<u>Chimes International Limited</u>	<u>Intervals Residential Services, Inc.</u>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 321,617	\$ 117,417	\$ 123,940	\$ 89,185	\$ 2,000	\$ 23,171
Accounts receivable, net of allowance for doubtful accounts	19,458	2,419,009	12,775,404	307,527	44,561	107,206
Pledges receivable						
Prepaid expenses	140,428	82,045	-	25,401	274,746	-
Other current assets	56,790	-	-	-	-	-
Current portion of loans receivable	-	-	-	-	-	-
Investments, unrestricted	-	-	-	-	-	-
Due from related party	4,766,311	872,279	925,084	30,325	2,762,401	1,356
Total current assets	<u>5,304,604</u>	<u>3,490,750</u>	<u>13,824,428</u>	<u>452,438</u>	<u>3,083,708</u>	<u>131,733</u>
NONCURRENT ASSETS						
Land, buildings and equipment, net of accumulated depreciation	7,875,470	814,733	1,034,420	85,694	5,171,207	4,464,215
Bond funds						
Intangible assets, net of accumulated amortization	38,306	-	-	-	-	33,726
Long-term pledges receivable	-	-	-	-	-	-
Note receivable from affiliates, net	-	-	-	-	-	-
Loans receivable, net of current portion	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Workers' compensation fund	-	-	-	-	618,254	-
Other noncurrent assets	187,137	37,658	-	23,244	158,576	2,244
Total noncurrent assets	<u>8,100,913</u>	<u>852,391</u>	<u>1,034,420</u>	<u>108,938</u>	<u>5,948,037</u>	<u>4,500,185</u>
TOTAL ASSETS	<u>\$ 13,405,517</u>	<u>\$ 4,343,141</u>	<u>\$ 14,858,848</u>	<u>\$ 561,376</u>	<u>\$ 9,031,745</u>	<u>\$ 4,631,918</u>

<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>
\$ 127,236	\$ 24,518	\$ 201,007	\$ 442,438	\$ 615,273	\$ -	\$ 2,087,802
109,961	2,091,287	77,143	12,972	-	-	17,964,528
-	-	-	-	245,633	-	245,633
8,672	224,550	11,599	-	-	-	767,441
-	92,478	-	-	82,854	-	232,122
-	-	-	-	76,458	-	76,458
-	-	-	-	4,429,311	-	4,429,311
402	269,048	-	-	-	(9,591,151)	36,055
<u>246,271</u>	<u>2,701,881</u>	<u>289,749</u>	<u>455,410</u>	<u>5,449,529</u>	<u>(9,591,151)</u>	<u>25,839,350</u>
273,676	1,978,716	42,685	2,268,619	-	-	24,009,435
-	-	-	-	-	-	-
-	-	-	-	-	-	72,032
-	-	-	-	360,000	-	360,000
-	-	-	-	510,583	(510,583)	-
-	-	-	-	159,310	-	159,310
-	-	-	-	1,094,094	-	1,094,094
-	-	-	-	-	-	618,254
-	-	6,683	6,000	994,453	-	1,415,995
<u>273,676</u>	<u>1,978,716</u>	<u>49,368</u>	<u>2,274,619</u>	<u>3,118,440</u>	<u>(510,583)</u>	<u>27,729,120</u>
<u>\$ 519,947</u>	<u>\$ 4,680,597</u>	<u>\$ 339,117</u>	<u>\$ 2,730,029</u>	<u>\$ 8,567,969</u>	<u>\$ (10,101,734)</u>	<u>\$ 53,568,470</u>

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

June 30, 2007

	<u>The Chimes, Inc</u>	<u>Chimes Metro, Inc</u>	<u>Chimes District of Columbia, Inc</u>	<u>Chimes Virginia, Inc</u>	<u>Chimes International Limited</u>	<u>Intervals Residential Services, Inc</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current maturities of long-term debt	\$ 227,895	\$ 15,909	\$ 58,725	\$ -	\$ 67,218	\$ 133,333
Short-term borrowings	-	-	3,529,248	-	541,981	-
Accounts payable	632,300	192,494	1,616,107	9,073	977,057	92,831
Accrued expenses and other liabilities	1,536,755	918,092	4,346,608	214,325	2,791,942	297,688
Deferred revenue	7,194,629	-	-	-	-	1,203,342
Deferred rent	-	-	-	-	-	-
Due to third-party payors	226,096	329,555	-	-	-	67,879
Due to related parties	1,356	-	-	-	6,593,999	432,485
Total current liabilities	<u>9,819,031</u>	<u>1,456,050</u>	<u>9,550,688</u>	<u>223,398</u>	<u>10,972,197</u>	<u>2,227,558</u>
LONG-TERM DEBT						
Bonds payable	760,749	-	-	-	-	1,649,341
Mortgages and notes payable	29,211	531,430	-	-	138,328	510,583
Capital lease obligations	-	-	-	-	-	-
Total long-term debt, net of current maturities	<u>789,960</u>	<u>531,430</u>	<u>-</u>	<u>-</u>	<u>138,328</u>	<u>2,159,924</u>
Total liabilities	<u>10,608,991</u>	<u>1,987,480</u>	<u>9,550,688</u>	<u>223,398</u>	<u>11,110,525</u>	<u>4,387,482</u>
COMMITMENTS AND CONTINGENCIES						
NET ASSETS						
Unrestricted						
Undesignated	2,796,526	2,355,661	5,308,160	337,978	(2,078,780)	244,436
Board designated	-	-	-	-	-	-
	<u>2,796,526</u>	<u>2,355,661</u>	<u>5,308,160</u>	<u>337,978</u>	<u>(2,078,780)</u>	<u>244,436</u>
Temporarily restricted	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-
Total net assets	<u>2,796,526</u>	<u>2,355,661</u>	<u>5,308,160</u>	<u>337,978</u>	<u>(2,078,780)</u>	<u>244,436</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,405,517</u>	<u>\$ 4,343,141</u>	<u>\$ 14,858,848</u>	<u>\$ 561,376</u>	<u>\$ 9,031,745</u>	<u>\$ 4,631,918</u>

Family Services Association, Inc	Holcomb Associates, Inc	Open Door, Inc	Developmental Services of New Jersey, Inc	Chimes Foundation, Incorporated	Eliminations	Totals
\$ 4,356	\$ 51,042	\$ -	\$ -	\$ -	\$ -	\$ 558,478
-	300,000	-	-	-	-	4,371,229
19,516	146,462	52,172	25,923	50	-	3,763,985
65,083	1,031,963	50,487	317,760	-	-	11,570,703
90,792	205,595	30,000	-	-	-	8,724,358
-	127,240	-	-	-	-	127,240
-	-	-	-	-	-	623,530
<u>245,507</u>	<u>-</u>	<u>23,943</u>	<u>1,083,266</u>	<u>1,210,595</u>	<u>(9,591,151)</u>	<u>-</u>
<u>425,254</u>	<u>1,862,302</u>	<u>156,602</u>	<u>1,426,949</u>	<u>1,210,645</u>	<u>(9,591,151)</u>	<u>29,739,523</u>
-	-	-	-	-	-	2,410,090
240,213	843,642	-	2,206,334	-	(510,583)	3,989,158
-	21,656	-	-	-	-	21,656
<u>240,213</u>	<u>865,298</u>	<u>-</u>	<u>2,206,334</u>	<u>-</u>	<u>(510,583)</u>	<u>6,420,904</u>
<u>665,467</u>	<u>2,727,600</u>	<u>156,602</u>	<u>3,633,283</u>	<u>1,210,645</u>	<u>(10,101,734)</u>	<u>36,160,427</u>
(145,520)	1,952,997	182,515	(903,254)	4,319,793	-	14,370,512
-	-	-	-	994,453	-	994,453
(145,520)	1,952,997	182,515	(903,254)	5,314,246	-	15,364,965
-	-	-	-	948,984	-	948,984
-	-	-	-	1,094,094	-	1,094,094
<u>(145,520)</u>	<u>1,952,997</u>	<u>182,515</u>	<u>(903,254)</u>	<u>7,357,324</u>	<u>-</u>	<u>17,408,043</u>
<u>\$ 519,947</u>	<u>\$ 4,680,597</u>	<u>\$ 339,117</u>	<u>\$ 2,730,029</u>	<u>\$ 8,567,969</u>	<u>\$ (10,101,734)</u>	<u>\$ 53,568,470</u>

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2007

	<u>The Chimes, Inc</u>	<u>Chimes Metro, Inc</u>	<u>Chimes District of Columbia, Inc</u>	<u>Chimes Virginia, Inc</u>	<u>Chimes International Limited</u>	<u>Intervals Residential Services, Inc</u>
REVENUE, GAINS AND OTHER SUPPORT						
Residential	\$ 15,414,569	\$ 13,780,457	\$ -	\$ 2,916,026	\$ -	\$ 3,288,220
Vocational	10,129,804	6,380,601	62,817,389	137,264	-	-
Educational	2,585,749	-	-	-	-	-
Medical day	-	-	-	-	-	2,538,232
Other programs	2,811,337	308,505	-	659,956	-	-
Management fees	360,000	-	-	-	8,247,173	-
Donations and grants	49,510	-	-	-	1,000	500
Miscellaneous	148,014	892	71,952	10,868	149,155	173,170
Fundraising income	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Gain on sale of assets	500	-	8,130	-	-	-
Total revenue, gains and other support	<u>31,499,483</u>	<u>20,470,455</u>	<u>62,897,471</u>	<u>3,724,114</u>	<u>8,397,328</u>	<u>6,000,122</u>
EXPENSES AND LOSSES						
Residential	13,771,060	12,274,428	-	2,539,952	-	2,906,273
Vocational	9,280,131	4,893,626	54,294,319	89,539	-	-
Educational	2,254,450	-	-	-	-	-
Medical day	-	-	-	-	-	2,892,747
Other programs	2,461,722	-	-	454,766	-	-
Administrative	4,481,727	2,194,212	8,398,876	369,570	8,227,884	873,863
Fundraising	-	-	-	-	-	-
Total expenses and losses	<u>32,249,090</u>	<u>19,362,266</u>	<u>62,693,195</u>	<u>3,453,827</u>	<u>8,227,884</u>	<u>6,672,883</u>
INCREASE (DECREASE) IN NET ASSETS	(749,607)	1,108,189	204,276	270,287	169,444	(672,761)
NET ASSETS (DEFICIENCY), Beginning	<u>3,546,133</u>	<u>1,247,472</u>	<u>5,103,884</u>	<u>67,691</u>	<u>(2,248,224)</u>	<u>917,197</u>
NET ASSETS (DEFICIENCY), Ending	<u>\$ 2,796,526</u>	<u>\$ 2,355,661</u>	<u>\$ 5,308,160</u>	<u>\$ 337,978</u>	<u>\$ (2,078,780)</u>	<u>\$ 244,436</u>

<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>
\$ -	\$ -	\$ -	\$ 4,639,191	\$ -	\$ (18,000)	\$ 40,020,463
-	-	-	470,076	-	(1,130,131)	78,805,003
-	-	-	-	-	-	2,585,749
-	-	-	-	-	-	2,538,232
818,592	14,834,329	1,581,414	-	-	(140,000)	20,874,133
-	-	-	-	-	(8,346,087)	261,086
54,345	34,894	1,066	8,126	1,107,660	(42,993)	1,214,108
1,186	105	7,387	131,175	-	(230,543)	463,361
-	-	-	-	539,835	-	539,835
-	-	-	-	453,643	(39,607)	414,036
-	-	-	-	-	-	8,630
<u>874,123</u>	<u>14,869,328</u>	<u>1,589,867</u>	<u>5,248,568</u>	<u>2,101,138</u>	<u>(9,947,361)</u>	<u>147,724,636</u>
-	-	-	4,482,426	-	(834,487)	35,139,652
-	-	-	409,924	-	77,887	69,045,426
-	-	-	-	-	(71,561)	2,182,889
-	-	-	-	-	(250,982)	2,641,765
877,988	12,157,661	1,303,118	-	-	(5,864)	17,249,391
119,685	2,506,340	234,259	633,581	138,787	(8,810,981)	19,367,803
-	-	-	-	402,660	(51,373)	351,287
<u>997,673</u>	<u>14,664,001</u>	<u>1,537,377</u>	<u>5,525,931</u>	<u>541,447</u>	<u>(9,947,361)</u>	<u>145,978,213</u>
(123,550)	205,327	52,490	(277,363)	1,559,691	-	1,746,423
<u>(21,970)</u>	<u>1,747,670</u>	<u>130,025</u>	<u>(625,891)</u>	<u>5,797,633</u>	<u>-</u>	<u>15,661,620</u>
\$ (145,520)	\$ 1,952,997	\$ 182,515	\$ (903,254)	\$ 7,357,324	\$ -	\$ 17,408,043

CHIMES INTERNATIONAL LIMITED AND RELATED ENTITIES
CONSOLIDATING SCHEDULE OF LAND, BUILDINGS AND EQUIPMENT
June 30, 2007

Land, buildings and equipment at June 30, 2007 are comprised as follows:

	<u>The Chimes, Inc.</u>	<u>Chimes Metro, Inc.</u>	<u>Chimes District of Columbia, Inc.</u>	<u>Chimes Virginia, Inc.</u>	<u>Chimes International Limited</u>
Land	\$ 921,733	\$ 122,031	\$ -	\$ -	\$ -
Buildings and improvements	12,042,848	1,040,622	-	-	127,226
Land improvements	246,974	-	-	-	-
Automobiles	453,098	143,282	380,644	18,995	78,769
Furnishings and equipment	2,236,032	522,693	5,433,013	200,011	3,968,489
Leasehold improvements	280,993	-	-	137,592	-
Construction in progress	<u>26,516</u>	<u>43,306</u>	<u>-</u>	<u>-</u>	<u>3,580,557</u>
	16,208,194	1,871,934	5,813,657	356,598	7,755,041
Less: accumulated depreciation	<u>8,332,724</u>	<u>1,057,201</u>	<u>4,779,237</u>	<u>270,904</u>	<u>2,583,834</u>
	<u>\$ 7,875,470</u>	<u>\$ 814,733</u>	<u>\$ 1,034,420</u>	<u>\$ 85,694</u>	<u>\$ 5,171,207</u>

Intervals Residential Services, Inc.	Family Services Association, Inc	Holcomb Associates, Inc.	Open Door, Inc.	Developmental Services of New Jersey, Inc.	Totals
\$ 596,186	\$ 70,000	\$ 316,500	\$ -	\$ 298,913	\$ 2,325,363
5,343,001	276,576	1,660,905	-	2,847,756	23,338,934
-	-	-	-	-	246,974
461,842	-	353,215	-	577,386	2,467,231
467,157	91,677	632,782	54,138	175,762	13,781,754
-	-	34,390	69,814	-	522,789
-	-	-	-	-	3,650,379
6,868,186	438,253	2,997,792	123,952	3,899,817	46,333,424
2,403,971	164,577	1,019,076	81,267	1,631,198	22,323,989
<u>\$ 4,464,215</u>	<u>\$ 273,676</u>	<u>\$ 1,978,716</u>	<u>\$ 42,685</u>	<u>\$ 2,268,619</u>	<u>\$ 24,009,435</u>

• If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** and check this box ☒ **X**

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868

• If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

Part II		Additional (not automatic) 3-Month Extension of Time. You must file original and one copy	
Type or print File by the extended due date for filing the return. See instructions	Name of Exempt Organization		Employer identification number
	THE CHIMES FOUNDATION, INC.		52-1796571
	Number, street, and room or suite no. If a P.O. box, see instructions 4815 SETON DRIVE		For IRS use only
	City, town or post office, state, and ZIP code. For a foreign address, see instructions BALTIMORE, MD 21215		

Check type of return to be filed (File a separate application for each return)

☒ Form 990 ☐ Form 990-EZ ☐ Form 990-T (sec. 401(a) or 408(a) trust) ☐ Form 1041-A ☐ Form 5227 ☐ Form 8870
☐ Form 990-BL ☐ Form 990-PF ☐ Form 990-T (trust other than above) ☐ Form 4720 ☐ Form 6069

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

• The books are in the care of **MARTIN LAMPNER, CPA**
 Telephone No. **410-358-6400** FAX No. _____
 • If the organization does not have an office or place of business in the United States, check this box ☐
 • If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box ☐ If it is for part of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until **MAY 15, 2008**
 5 For calendar year _____, or other tax year beginning **JUL 1, 2006**, and ending **JUN 30, 2007**
 6 If this tax year is for less than 12 months, check reason. ☐ Initial return ☐ Final return ☐ Change in accounting period
 7 State in detail why you need the extension
ADDITIONAL TIME IS REQUIRED TO COMPLETE ACCOUNTING

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions	8a	\$
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868	8b	\$
c	Balance Due. Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions	8c	\$ N/A

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature _____ Title _____ Date _____

Notice to Applicant. (To Be Completed by the IRS)

☐ We have approved this application. Please attach this form to the organization's return.
☐ We have not approved this application. However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions). This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return. Please attach this form to the organization's return.
☐ We have not approved this application. After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file. We are not granting a 10-day grace period.
☐ We cannot consider this application because it was filed after the extended due date of the return for which an extension was requested.
☐ Other _____

By: _____
 Director _____ Date _____

Alternate Mailing Address. Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above

Type or print	Name
	GORFINE, SCHILLER & GARDYN, P.A.
	Number and street (include suite, room, or apt. no.) or a P.O. box number 10045 RED RUN BOULEVARD, SUITE 250
	City or town, province or state, and country (including postal or ZIP code) OWINGS MILLS, MD 21117-4831