T.E.R.I., INC. & AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

INDEPENDENT AUDITORS' REPORT

T.E.R.I., INC. & AFFILIATES

JUNE 30, 2021

KAKU & MERSINO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
T.E.R.I., Inc. & Affiliates

Report on the Financial Statements

We have audited the accompanying financial statements of T.E.R.I., Inc. & Affiliates (nonprofit organizations), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of T.E.R.I., Inc. & Affiliates as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kaku + Mersino, LLP

KAKU & MERSINO, LLP

May 12, 2022

1588 Shaw Ave • Clovis, CA 93611 • 559/324-7097 • Fax 559/324-7180

T.E.R.I., INC. & AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS	
Cash	$ 6,750,172
Accounts Receivable	3,422,773
Grants Receivable	65,827
Contributions Receivable	272,500
Prepaid Expenses	93,397
Investments	17,422
Client Trust Accounts	240,047
Deposits	192,796
Construction in Progress	14,824,200
Property and Equipment, net	9,169,955
TOTAL ASSETS	$ 35,049,089
LIABILITIES	
Accounts Payable	$ 2,643,110
Salaries and Benefits Payable	1,060,162
Accrued Expenses	268,558
Refundable Advances	71,750
Line of Credit	450,000
Accrued Interest	133,479
Client Trust Accounts	240,047
Notes Payable	3,144,518
TOTAL LIABILITIES	8,011,624
NET ASSETS	
Without Donor Restrictions	26,714,260
With Donor Restrictions	323,205
TOTAL NET ASSETS	27,037,465
TOTAL LIABILITIES AND NET ASSETS	$ 35,049,089

The accompanying notes are an integral part of the financial statements.

T.E.R.I., INC. & AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE and SUPPORT			
Program Service Fees			
Residential	$ 7,035,126		$ 7,035,126
Adult Day Programs	5,929,935		5,929,935
Non Public Schools	4,110,623		4,110,623
Respite	1,362,649		1,362,649
Rental Income	677,587		677,587
Transportation	556,548		556,548
Total Program Service Fees	19,672,468	-	19,672,468
Public Support			
Contributions	2,086,648	-	2,086,648
Grants	625,766		625,766
Total Public Support	2,712,414	-	2,712,414
Other Revenue			
Thrift Store Sales $300,605			
Cost of Sales (6,695)	293,910		293,910
Miscellaneous	2,071,386		2,071,386
Gain on Investments	30,501		30,501
Total Other Revenue	2,395,797	-	2,395,797
Net assets released from restrictions	2,401,795	(2,401,795)	-
TOTAL SUPPORT and REVENUE	27,182,474	(2,401,795)	24,780,679
EXPENSES			
Program Services	18,153,942		18,153,942
Supporting Services			
Management and General	2,901,236		2,901,236
Development	545,946		545,946
Total Supporting Services	3,447,182	-	3,447,182
TOTAL EXPENSES	21,601,124	-	21,601,124
INCREASE/(DECREASE) IN NET ASSETS	5,581,350	(2,401,795)	3,179,555
NET ASSETS, BEGINNING OF YEAR	21,132,910	2,725,000	23,857,910
NET ASSETS, END OF YEAR	$ 26,714,260	$ 323,205	$ 27,037,465

The accompanying notes are an integral part of the financial statements.

T.E.R.I., INC. & AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Services						
	Residential	Adult Day Programs	Non Public Schools	Respite	Transportation	TERI Inspired Resale	Equestrian
Salaries	$ 5,342,918	$ 1,963,942	$ 1,926,330	$ 595,414	$ 205,351	$ 124,021	$ 121,102
Payroll taxes	385,315	120,902	129,650	44,816	12,489	7,787	8,908
Health insurance/Wellness	216,868	329,298	244,622	9,409	28,226	18,817	9,409
Workers compensation	272,679	35,104	27,766	35,346	10,209	4,862	1,984
Client activities	4,307	390	229	584	-	-	-
Vocational service	6,019	3,021	-	-	-	-	-
Vehicle expense	-	-	-	-	300,703	1,482	-
Information Technology	32,112	50,759	35,347	13,238	25,769	4,270	6,866
Office supplies and expense	3,408	3,501	3,087	-	153	1,349	248
Advertising	8,315	5,635	2,624	2,613	1,229	1,560	463
Utilities	37,071	116,048	97,625	7,184	572	10,757	45,014
Interest	998	-	-	-	-	-	4,458
Dues and subscriptions	466	524	4,114	-	-	270	100
Insurance	1,571	3,228	2,631	42	-	3,461	5,362
Depreciation	2,983	17,654	4,844	-	204,300	13,937	127,208
Rent	258,499	330,448	218,901	17,371	2,616	61,960	-
Unreimbursed Services	64,614	1,537	2,030	5,465	155	21	-
Bank charges	-	-	-	-	-	7,347	-
Business promotion	-	-	-	-	-	-	-
Taxes and licenses	108,896	736	4,041	-	9	-	514
Seminars	645	-	-	-	475	-	-
Auto allowance and mileage	59,943	26,602	12,314	68,728	2,968	1,103	1,090
Food	433,691	5,450	611	89	104	-	-
Household supplies	154,249	7,798	8,436	400	365	1,447	2,292
Equipment rental	3,341	6,528	4,092	101	-	1,145	3,718
Outside services	72,047	31,627	135,159	2,264	2,628	1,700	27,588
Program supplies	7,912	93,955	29,271	2,947	4,082	2,225	27,222
Cost of goods sold	-	-	-	-	-	-	-
Repairs and maintenance	4,479	2,605	15,229	751	5	907	1,468
Medi-Cal quality assurance fee	320,010	-	-	-	-	-	-
Medications	63,027	-	-	-	-	-	-
	$ 7,866,383	$ 3,157,292	$ 2,908,953	$ 806,762	$ 802,408	$ 270,428	$ 395,014
Percentage	36.4%	14.6%	13.5%	3.7%	3.7%	1.3%	1.8%

The accompanying notes are an integral part of the financial statements.

T.E.R.I., INC. & AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Supporting Services			
	Therapy Services	HUD Affiliates	Program Services Total	Management and General	Development	Supporting Services Total	Total
Salaries	$ 548,000	$ 306,638	$ 11,133,716	$ 1,469,153	$ 274,282	$ 1,743,435	$ 12,877,151
Payroll taxes	37,605	24,788	772,260	177,226	19,334	196,560	968,820
Health insurance/Wellness	47,043	18,345	922,037	159,945	37,634	197,579	1,119,616
Workers compensation	5,016	18,398	411,364	11,735	2,233	13,968	425,332
Client activities	-	-	5,510	-	-	-	5,510
Vocational service	-	-	9,040	-	-	-	9,040
Vehicle expense	-	-	302,185	1,050	-	1,050	303,235
Information Technology	29,461	18,311	216,133	142,424	16,717	159,141	375,274
Office supplies and expense	475	-	12,221	27,309	3,333	30,642	42,863
Advertising	1,392	-	23,831	8,792	3,196	11,988	35,819
Utilities	1,726	209,514	525,511	22,767	3,855	26,622	552,133
Interest	-	17,302	22,758	45,302	-	45,302	68,060
Dues and subscriptions	506	4,152	10,132	35,289	6,571	41,860	51,992
Insurance	133	28,543	44,971	87,586	-	87,586	132,557
Depreciation	-	285,360	656,286	38,868	-	38,868	695,154
Rent	2,040	-	891,835	37,972	6,557	44,529	936,364
Unreimbursed Services	9,590	-	83,412	230,080	18,141	248,221	331,633
Bank charges	3,035	-	10,382	31,694	10,848	42,542	52,924
Business promotion	-	-	-	30,000	101	30,101	30,101
Taxes and licenses	678	7,707	122,581	245	-	245	122,826
Seminars	135	-	1,255	13,939	1,986	15,925	17,180
Auto allowance and mileage	15,348	-	188,096	27,313	1,725	29,038	217,134
Food	26	-	439,971	7,223	1,172	8,395	448,366
Household supplies	-	32,599	207,586	18,722	1,610	20,332	227,918
Equipment rental	7	8,625	27,557	2,540	706	3,246	30,803
Outside services	5,786	167,558	446,357	216,638	106,152	322,790	769,147
Program supplies	3,154	27,508	198,276	45,854	24,441	70,295	268,571
Cost of goods sold	-	-	-	-	-	-	-
Repairs and maintenance	127	60,071	85,642	11,570	5,352	16,922	102,564
Medi-Cal quality assurance fee	-	-	320,010	-	-	-	320,010
Medications	-	-	63,027	-	-	-	63,027
	$ 711,283	$ 1,235,419	$ 18,153,942	$ 2,901,236	$ 545,946	$ 3,447,182	$ 21,601,124
Percentage	3.3%	5.7%	84.0%	13.5%	2.5%	16.0%	100.0%

The accompanying notes are an integral part of the financial statements.

T.E.R.I., INC. & AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 3,179,555
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	695,154
Gain in Investments	(7,227)
(Increase) Decrease in Assets:	
Accounts Receivable	(677,596)
Contribution Receivable	2,478,760
Prepaid Expenses and Other Assets	(8,073)
Deposits	16,676
Increase (Decrease) in Liabilities:	
Accounts Payable	1,696,059
Salaries and Benefits Payable	51,758
Accrued Expenses	(23,085)
Refundable Advances	71,750
Accrued Interest	7,359
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,481,090
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Property and Equipment	(135,819)
Increase Construction in Progress	(6,501,355)
NET CASH USED BY INVESTING ACTIVITIES	(6,637,174)
CASH FLOWS FROM FINANCING ACTIVITIES	
Advances on Line of Credit	450,000
Payments on Line of Credit	(1,525,000)
Proceeds from Debt	1,825,040
Payments on Debt	(641,610)
NET CASH PROVIDED BY FINANCING ACTIVITIES	108,430
NET INCREASE IN CASH AND CASH EQUIVALENTS	952,346
BEGINNING CASH AND CASH EQUIVALENTS	5,797,826
ENDING CASH AND CASH EQUIVALENTS	$ 6,750,172

Supplemental Disclosures of Cash Flow Information:
Cash paid during year for interest $75,700.
Noncash Financing: Debt of $115,951 for purchase of vehicles.

The accompanying notes are an integral part of the financial statements.

Note 1 – Nature of Activities

T.E.R.I., Inc. (Training, Education, and Resource Institute) (the Agency) was incorporated August 21, 1980, as a California nonprofit corporation dedicated to the rehabilitation and therapy of developmentally disabled individuals in San Diego County. The Agency provides residential group homes as intermediate care facilities, operates an adult development center with community based and behavior management programs, two non-public schools, related transportation services and therapy programs including speech, applied behavior analysis, and equestrian, as well as other programs for its clients and their families. In addition, it operates a thrift store and carries out various research and fundraising activities.

Medi-Cal provides partial reimbursement for the operation of the residential group homes, and the State of California provides partial reimbursement for the operation of vocational training, transportation, and respite programs. Local school districts provide partial reimbursement for the operation of educational programs. Insurance carriers, individuals, other agencies, and school districts partially fund the therapy programs.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The Agency consolidates related nonprofit corporations in which it has a controlling financial interest. The corporations were established to operate residential facilities to provide individuals with developmental and learning disabilities with housing and services specifically designed to meet their physical, social, and psychological needs and to promote their health, security, happiness and usefulness. The accompanying financial statements reflect the consolidation of the financial statements of the Agency and its affiliates: The Roher Foundation, Ted Williams Housing Corporation, Mitchell Housing Corporation, Martin Housing Corporation, Mara Housing Corporation, Jarred DeZonia Foundation, Wendell Starling Home, McNealy Housing Corporation, Susan Parham Housing Corporation, and Joseph Michalowski Housing Corporation. The affiliate organizations are regulated by the U.S. Department of Housing & Urban Development (HUD) and are nonprofit public benefit corporations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service Code. The Roher Foundation is also audited separately as a single audit in accordance with Uniform Guidance as required by HUD.

Basis of Accounting

The financial statements of the Agency are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and liabilities.

Note 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Agency reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

- Net Assets with Donor Restrictions – These net assets generally result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Cost Allocations

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied and that is also in accordance with guidance of any specific funding terms and conditions associated with the funding received. Allocated expenditures for shared costs include compensation and benefits, which are allocated either on the basis of actual time tracking or estimates of time and effort such as may be extrapolated from a time study. Costs such as contract services are allocated to the program which receives the benefit and may be further allocated based on clients, employees, or number of service units. Facility costs are allocated based on square footage.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, actual results could differ from those estimates.

Note 2 – Summary of Significant Accounting Policies (Continued)

Contributed Volunteer Services

Contributed services throughout the year are not recognized as contributions in the financial statements since there is no provision in the accounting regulations. However, many individuals volunteer time and perform a variety of tasks that assist the Agency.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Accounts and Grants Receivable

Accounts receivable are amounts due from various agencies and entities for services performed under fee for service contracts. Grants receivable are amounts due from federal, state, or local funding sources for services performed under cost reimbursement contracts. Management estimated a provision of $195,674 for allowance for doubtful accounts which is included in accounts and grants receivable.

Promises to Give

Unconditional promises to give are recognized as revenues 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 only when the conditions on which they depend are substantially met and the promise becomes unconditional. Due to the nature of contributions, significant increases and decreases in net assets may occur. These significant fluctuations can arise as contributions are recognized as support in the fiscal period in which they are contributed, but the expense incurred with such contributions occur in a different period. Or, the contributions may be used to purchase property and equipment that is capitalized and depreciated over several periods.

Note 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment purchased with Agency funds are capitalized at cost and depreciated over the useful estimated lives of the asset using the straight-line method. Amortization of building improvements is based on the estimated useful life of the improvements. Expenditures for property and equipment in excess of $5,000 are capitalized.

Contributed property and equipment are recorded at fair value, when value can be established, on the date of donation. Contributions of property and equipment are recorded as unrestricted support, unless the donor stipulates how long the assets must be used.

In the unlikely event of a contract termination, certain funding sources require title to property and equipment previously purchased with grant funds revert to the funding source. Certain funding sources also limit the use of property and equipment for specific programs and require approval for disposition of property and equipment from the funding source.

Depreciation is calculated based on the following estimated useful lives:

Type of Asset	Estimated Useful Life
Equipment	4-10 years
Improvements	5-20 years
Buildings - residences	25 years

Income Taxes

The Agency is a nonprofit organization defined in Section 501 (c)(3) of the Internal Revenue Code (the “Code”) and is, therefore, exempt from federal income taxation under Section 501(a) of the Code. Furthermore, the Agency is exempt from state income taxation under Section 23701d of the California Revenue and Taxation Code. The Agency’s returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Subsequent Events

Management has evaluated subsequent events through May 12, 2022, the date the financial statements were available to be issued.

Note 3 – Cash and Cash Equivalents

Cash and Cash Equivalents consist of the following at June 30, 2021:

	Amount
Cash	$ 6,580,937
Replacement Reserves	169,235
Total	$ 6,750,172

The Agency maintains cash balances at one financial institution located in San Diego, California. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The amount in excess of the insured limits at June 30, 2021, total $6,660,962.

In accordance with applicable regulations, HUD requires the affiliate corporations to maintain a replacement reserve to help fund extraordinary maintenance, repairs, and replacement of capital items. Monthly deposits are required. Use of the replacement reserve account is contingent upon HUD's prior written approval.

Note 4 – Contributions Receivable

Contributions receivable represent promises to give made by donors that are not yet received by the Agency. Contributions that will be received in subsequent years are discounted using a risk-free rate of return. The Agency considers contributions receivable fully collectible. Accordingly, no allowance for uncollectible contributions has been provided.

	Amount
Amount of Receivable due:	
Less than one year	$ 272,500
One to five years	0
More than five years	0
Total	$ 272,500

Contributions receivable at June 30, 2021, consist primarily of unconditional promises to give from individual donors that are restricted for the construction of the Charles R. Cono Campus of Life (the Campus). The Agency has an ongoing capital campaign to raise funds for the Campus. The Campus will accommodate the Agency's model programs and research and will serve as a diagnostic and training center not only for San Diego, but is anticipated to be accessed worldwide. The Campus will allow the Agency's non-residential programs to relocate to one site and will provide space for future model program development.

Note 5 – Investments – Fair Value Measurements

Fair values measured on a recurring basis at June 30, 2021 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investment in Equity Securities	$ 17,422	$ 17,422

Note 6 – Construction in Progress

The following is a summary of Construction in Progress at June 30, 2021. Interest cost of $40,119 were capitalized during the fiscal year:

	Amount
Charles R. Cono Campus of Life	$ 14,824,200
Total	$ 14,824,200

Charles R. Cono Campus of Life - In July 2003, the Agency purchased about 20 acres of land for the future site of the Charles R. Cono Campus of Life located in the Twin Oaks Valley area of unincorporated San Diego County, California. The Campus will accommodate the educational, research and therapeutic programs operated by the Agency, including relocation of the adult training and education programs, the Learning Academy, the Country School, and the corporate-sponsored child care programs.

Note 7 – Client Trust Accounts

Client trust funds of $240,047 at June 30, 2021, represent cash held in a fiduciary capacity for the personal and incidental cost of the residents of the various properties. Accordingly, there is an equivalent liability reported on the statement of financial position as this cash is not available for general Agency use.

Note 8 – Property and Equipment, Net

Property and equipment consist of the following at June 30, 2021:

	Amount
Residences	$ 6,444,724
Deer Springs Campus	3,180,201
Land	2,010,395
Leasehold Improvements	2,766,556
Vehicles	1,980,741
Equipment & Furniture	309,831
Total	16,692,448
Less Accumulated Depreciation	(7,522,493)
Property and Equipment, Net	$ 9,169,955

Depreciation expense was $695,154 for the year ended June 30, 2021.

Note 9 – Line of Credit

The Agency has a $750,000 capital line of credit with a financial institution. Interest on outstanding borrowings is 4% and has a balance of $450,000 as of June 30, 2021. Included with the capital line of credit is a stand by letter of credit of $300,000. The stand by letter of credit together with any amounts on the capital line of credit cannot exceed $750,000. The capital line of credit was subsequently renewed and has a maturity date of February 15, 2023. The Agency also has a $750,000 operating line of credit with a zero balance as of June 30, 2021. The operating line of credit was subsequently renewed and has a maturity date of January 15, 2023. The lines of credit are secured by the Agency's inventory, equipment, accounts receivable, and general intangibles and requires compliance with certain loan covenants.

Note 10 – Notes Payable

Notes payable consist of the following at June 30, 2021:

	Amount
Promissory note payable to a financial institution in monthly payments of principal and interest of $13,092. Interest is at 3.5% per annum. The note balance is due October 21, 2030, and is secured by a first deed of trust.	$ 1,760,025
Promissory note payable to State of California dated July 2021. Monthly payments of $3,500 for 48 months. The note does not bear any interest. The note is due July 2024. The note is secured by a deed of trust.	460,351
Note payable to the County of San Diego, Department of Housing and Community Development. The note bears interest at 3% per annum, which shall not be compounded. The principal and accrued interest is deferred until 2042. This note is secured by a deed of trust, subordinate to the deed of trust in favor of HUD. See Capital Advance Note below.	70,000
Note payable to the County of San Diego, Department of Housing and Community Development. The note bears interest at 3% per annum, which shall not be compounded. The principal and accrued interest is deferred until 2042. This note is secured by a deed of trust, subordinate to the deed of trust in favor of HUD. See Capital Advance Note below.	61,831
Note payable to the County of San Diego, Department of Housing and Community Development. The note bears interest at 3% per annum, which shall not be compounded. The principal and accrued interest is deferred until 2041. This note is secured by a deed of trust, subordinate to the deed of trust in favor of HUD. See Capital Advance Note below.	110,313
Note payable held by a lender through Federal Home Loan Bank of San Francisco in the amount of $40,000. The indebtedness by the note does not bear any interest. The maturity date of the note is December 2028. The deed of trust contains certain provisions for acceleration of the maturity of the note.	40,000
Ten notes payable to a financial institution, payable in monthly installments totaling approximately $6,500 including interest at 5% per annum, until July 2024. The notes are secured by solar power generation systems on group homes.	221,314
Approximately thirty notes payable in monthly payments of interest and principal totaling approximately $16,000 including interest at rates ranging from 0 to 5.75%. The notes are generally 60 months and are collateralized by vehicles.	420,684
Total	$ 3,144,518

Note 10 – Notes Payable (continued)

Current portion of the Line of Credit and Notes Payable is $831,194 for year ending June 30, 2021.

The following is a schedule of future minimum principal payments as of June 30, 2021:

Year Ending June 30:	Amount
2022	$ 831,194
2023	715,312
2024	265,131
2025	142,162
2026	119,144
Thereafter	1,521,575
	$ 3,594,518

Note 11 – Related Party Transactions

TERI rents a residence from a key employee for use as a residential group home. TERI pays $3,703 per month on a ten-year lease. The amount paid for the year ending June 30, 2021 was $44,440. TERI has started the process to purchase the home and has paid a $100,000 deposit which is included in deposits on the statement of financial position. Also, a board of director provided consulting services and the amount paid for the year ending June 30, 2021 was $37,500.

Note 12 – Commitments and Contingencies

Operating Leases

The Agency has commitments under various operating leases for facilities and equipment used for programs and administrative offices. Property and equipment rental expense incurred under these leases totaled $936,364 for the year ended June 30, 2021.

Future minimum lease payments under operating lease are as follows:

Year Ending June 30:	
2022	$ 93,888
2023	92,222
2024	44,400
2025	22,200
2026	0

Note 12 – Commitments and Contingencies (continued)

Capital Advance Note

HUD holds Capital Advance Notes on residential real property. The notes bear no interest and are not required to be repaid as long as the housing remains available to eligible disabled persons for 40 years. If the housing becomes unavailable for such purposes, the entire capital advance outstanding and interest since inception would be due and payable. The affiliate corporations have met the requirements during its operating period and intend to continue to meet these requirements for the remaining term of the loan. Accordingly, the Capital Advance Note proceeds were previously recorded as grant revenue and are included in net assets. The Capital Advance Notes are secured by deeds of trust on the affiliate corporation's real property. The Capital Advance Notes are as follows:

The Roher Foundation	$ 710,200
Ted Williams Housing Corporation	372,500
Mitchell Housing Corporation	380,600
Martin Housing Corporation	380,600
Mara Housing Corporation	386,900
Jarred DeZonia Foundation	386,900
Wendell Starling Home	518,500
McNealy Housing Corporation	561,700
Susan Parham Housing Corporation	582,993
Joseph Michalowski Housing Corporation	582,900
Total	$ 4,863,793

Community Development Block Grant Funding

In November 2008 the Joseph Michalowski Housing Corporation entered into an agreement with the City of Carlsbad for Community Development Block Grant (CDBG) funding of $795,000 for the acquisition of residential property for a group home in Carlsbad to serve persons with autism or developmental disabilities. The term of the note is 20 years. The loan shall be due and payable in full upon 1) the date the property is first sold or transferred, or, 2) upon failure to operate a group home on the property, if it occurs prior to the expiration of the term of the loan. The loan shall be forgivable upon expiration of the term of the loan if the property has been maintained and operated as a group home. The Corporation has met these requirements during its operating period and intends to continue to meet these requirements during the remaining period of the agreement. These funds are included in net assets.

Note 12 – Commitments and Contingencies (continued)

Community Development Loan Funding

In November 2009 TERI, Inc. entered into an agreement with the City of Vista for loan funding of $325,000. The agreement requires the use of funds to improve real property and the real property be used for limited purposes. Interest accrues at 5% per annum. The term of the note is 55 years. The loan shall be due and payable in full upon 1) the date the property is first sold or transferred, or, 2) upon failure to operate a group home on the property, if it occurs prior to the expiration of the term of the loan. The loan shall be forgivable upon expiration of the term of the loan if the property has been maintained and operated as a group home. TERI, Inc. has met these requirements during its operating period and intends to continue to meet these requirements during the remaining period of the agreement. These funds are included in net assets.

Note 13 – Liquidity and Availability of Financial Assets

The following reflects TERI, Inc.'s & Affiliates' financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

Financial assets at year-end:	
Cash	$ 6,750,172
Investments	17,422
Client Trust Accounts	240,047
Total Financial Assets	$ 7,007,641
Less those unavailable for general expenditures within one year, due to:	
Assets with donor restrictions	(323,205)
Replacement Reserves - restricted use	(169,235)
Client Trust Accounts – restricted use	(240,047)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,275,154

Agency operations require maintenance of financial assets, which consist of cash to meet normal operating expenses. The Agency also has a line of credit in place in which it could draw upon in the event of any unanticipated liquidity needs.