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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

INDEPENDENT AUDITORS' REPORT

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

JUNE 30, 2022

KAKU & MERSINO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of T.E.R.I., Inc. & Affiliates (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of T.E.R.I., Inc. & Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about T.E.R.I., Inc. & Affiliates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of T.E.R.I., Inc. & Affiliates' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about T.E.R.I., Inc. & Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Kaku + Mersino, LLP

KAKU & MERSINO, LLP

July 24, 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

ASSETS		
Cash	$	6,056,225
Accounts Receivable		3,857,670
Grants Receivable		21,275
Contributions Receivable		1,966,500
Prepaid Expenses		277,068
Investments		11,052
Client Trust Accounts		227,966
Deposits		192,710
Construction in Progress		5,789,896
Property and Equipment, net		19,143,360
TOTAL ASSETS	$	37,543,722
LIABILITIES		
Accounts Payable	$	681,229
Salaries and Benefits Payable		1,210,147
Accrued Expenses		2,059,330
Line of Credit		450,000
Accrued Interest		138,738
Client Trust Accounts		227,966
Notes Payable		2,912,045
TOTAL LIABILITIES		7,679,455
NET ASSETS		
Without Donor Restrictions		27,296,062
With Donor Restrictions		2,568,205
TOTAL NET ASSETS		29,864,267
TOTAL LIABILITIES AND NET ASSETS	$	37,543,722

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE and SUPPORT			
Program Service Fees			
Residential	$ 8,293,509		$ 8,293,509
Adult Day Programs	5,950,896		5,950,896
Non Public Schools	3,887,158		3,887,158
Respite	984,646		984,646
Rental Income	703,631		703,631
Transportation	427,228		427,228
Total Program Service Fees	20,247,068	-	20,247,068
Public Support			
Contributions	1,376,974	2,282,000	3,658,974
Grants	296,017		296,017
Total Public Support	1,672,991	2,282,000	3,954,991
Other Revenue			
Thrift Store Sales $286,952			
Cost of Sales (154,155)	132,797		132,797
Miscellaneous	2,437,811		2,437,811
Gain on Investments	19,113		19,113
Total Other Revenue	2,589,721	-	2,589,721
Net assets released from restrictions	37,000	(37,000)	-
TOTAL SUPPORT and REVENUE	24,546,780	2,245,000	26,791,780
EXPENSES			
Program Services	20,042,025		20,042,025
Supporting Services			
Management and General	3,371,621		3,371,621
Development	551,332		551,332
Total Supporting Services	3,922,953	-	3,922,953
TOTAL EXPENSES	23,964,978	-	23,964,978
INCREASE/(DECREASE) IN NET ASSETS	581,802	2,245,000	2,826,802
NET ASSETS, BEGINNING OF YEAR	26,714,260	323,205	27,037,465
NET ASSETS, END OF YEAR	$ 27,296,062	$ 2,568,205	$ 29,864,267

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, 2022

	Program Services							
	Residential	Adult Day Programs	Non Public Schools	Respite	Transportation	TERI Inspired Resale	TERI Vocational Center	Equestrian
Salaries	$ 5,959,865	$ 1,946,846	$ 2,276,379	$ 589,815	$ 235,972	$ 131,259	$ 200,315	$ 126,143
Payroll taxes	431,090	128,505	156,447	42,133	15,622	8,553	15,775	8,726
Health insurance/Wellness	180,767	293,744	192,331	14,105	14,975	304	2,802	7,661
Workers compensation	289,179	36,465	32,332	31,556	12,153	4,771	7,136	1,991
Client activities	32,071	2,616	367	4,597	-	-	66	-
Vocational service	-	18,312	89	-	-	-	-	-
Vehicle expense	-	42	-	-	430,303	1,405	-	-
Information Technology	58,840	30,523	32,844	9,739	57,910	4,948	11,614	8,605
Office supplies	1,414	4,675	3,153	188	372	1,213	4,176	945
Advertising	27,722	12,376	5,845	1,653	4,662	269	3,716	868
Utilities	64,370	124,985	114,771	5,245	700	14,755	42,524	31,741
Interest	739	-	-	-	-	-	-	6,091
Dues and subscriptions	2,083	914	4,475	140	67	323	175	529
Insurance	1,153	3,327	2,576	41	-	3,337	2,289	4,975
Depreciation	2,983	17,654	18,627	-	191,060	-	325,042	127,208
Rent	203,942	349,584	205,751	10,930	2,851	59,596	-	-
Unreimbursed Services	-	-	-	-	-	-	-	-
Bank charges	-	-	-	-	-	8,757	4,629	-
Business promotion	-	-	-	-	-	120	4,065	-
Taxes and licenses	122,065	737	5,084	-	-	-	267	-
Seminars	1,041	1,140	896	512	314	-	1,916	160
Auto allowance & mileage	57,577	21,739	15,050	51,592	-	1,788	1,180	791
Food	330,743	1,605	891	318	84	-	34	205
Household supplies	143,875	10,816	7,440	-	2,498	119	29,158	3,287
Equipment rental	1,007	21,707	-	-	146	2,721	-	5,950
Outside services	83,007	28,480	143,973	366	52	83	15,161	17,604
Program supplies	11,349	83,092	21,999	5,116	780	2,145	12,338	37,923
Repairs and maintenance	17,204	6,402	22,911	81	214	540	5,125	2,630
Medi-Cal quality assurance	317,937	-	-	-	-	-	-	-
Medications	47,569	-	-	-	-	-	-	-
	$ 8,389,592	$ 3,146,286	$ 3,264,231	$ 768,127	$ 970,735	$ 247,006	$ 689,503	$ 394,033
Percentage	35.0%	13.1%	13.6%	3.2%	4.1%	1.0%	2.9%	1.6%

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, 2022

	Program Services			Supporting Services			
	Therapy Services	HUD Affiliates	Program Services Total	Management and General	Development	Supporting Services Total	Total
Salaries	$ 786,030	$ 312,190	$ 12,564,814	$ 1,578,791	$ 310,316	$ 1,889,107	$ 14,453,921
Payroll taxes	53,150	22,653	882,654	353,560	23,234	376,794	1,259,448
Health insurance/Wellness	51,105	18,132	775,926	550,198	33,716	583,914	1,359,840
Workers compensation	6,069	19,504	441,156	13,253	2,571	15,824	456,980
Client activities	-	-	39,717	-	-	-	39,717
Vocational service	-	-	18,401	-	-	-	18,401
Vehicle expense	-	-	431,750	1,045	-	1,045	432,795
Information Technology	27,209	25,576	267,808	251,994	29,138	281,132	548,940
Office supplies	735	-	16,871	18,872	6,089	24,961	41,832
Advertising	3,468	-	60,579	6,198	26,636	32,834	93,413
Utilities	847	236,322	636,260	29,308	9,151	38,459	674,719
Interest	-	17,130	23,960	452	-	452	24,412
Dues and subscriptions	135	4,265	13,106	30,900	8,988	39,888	52,994
Insurance	-	28,561	46,259	81,727	-	81,727	127,986
Depreciation	-	285,764	968,338	7,126	4,264	11,390	979,728
Rent	1,478	-	834,132	42,535	6,799	49,334	883,466
Unreimbursed Services	13,709	-	13,709	12,074	18,000	30,074	43,783
Bank charges	4,145	54	17,585	18,164	11,644	29,808	47,393
Business promotion	-	-	4,185	30,452	7,407	37,859	42,044
Taxes and licenses	584	7,616	136,353	946	-	946	137,299
Seminars	897	-	6,876	18,583	2,640	21,223	28,099
Auto allowance & mileage	16,566	-	166,283	37,768	3,387	41,155	207,438
Food	-	-	333,880	6,272	993	7,265	341,145
Household supplies	2	26,351	223,546	27,661	2,264	29,925	253,471
Equipment rental	-	8,828	40,359	10,714	-	10,714	51,073
Outside services	402	107,776	396,904	204,480	35,887	240,367	637,271
Program supplies	1,776	-	176,518	26,962	7,688	34,650	211,168
Repairs and maintenance	11	83,472	138,590	11,586	520	12,106	150,696
Medi-Cal quality assurance	-	-	317,937	-	-	-	317,937
Medications	-	-	47,569	-	-	-	47,569
	$ 968,318	$ 1,204,194	$ 20,042,025	$ 3,371,621	$ 551,332	$ 3,922,953	$ 23,964,978
Percentage	4.0%	5.0%	83.6%	14.2%	2.3%	16.4%	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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 2,826,802
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	979,728
Gain in Investments	6,370
(Increase) Decrease in Assets:	
Accounts Receivable	(434,897)
Grants Receivable	44,552
Contribution Receivable	(1,694,000)
Prepaid Expenses and Other Assets	(183,671)
Deposits	86
Increase (Decrease) in Liabilities:	
Accounts Payable	(1,961,881)
Salaries and Benefits Payable	149,985
Accrued Expenses	1,790,772
Refundable Advances	(71,750)
Accrued Interest	5,259
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,457,355
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Property and Equipment	(406,701)
Increase Construction in Progress	(1,512,128)
NET CASH USED BY INVESTING ACTIVITIES	(1,918,829)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Debt	(232,473)
NET CASH USED BY FINANCING ACTIVITIES	(232,473)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(693,947)
BEGINNING CASH AND CASH EQUIVALENTS	6,750,172
ENDING CASH AND CASH EQUIVALENTS	$ 6,056,225

Supplemental Disclosures of Cash Flow Information:

Cash paid during year for interest $25,723.

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.

Advertising

Advertising costs are expensed as incurred. Advertising costs totaling $93,414 were expensed in the year ended June 30, 2022. There were no advertising costs capitalized during the year ended June 30, 2022.

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 July 24, 2023, 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, 2022:

	Amount
Cash	$ 5,881,435
Replacement Reserves	174,790
Total	$ 6,056,225

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, 2022, total $6,071,452.

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	$ 1,966,500
One to five years	0
More than five years	0
Total	$ 1,966,500

Contributions receivable at June 30, 2022, 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, 2022 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investment in Equity Securities	$ 11,052	$ 11,052

Note 6 – Construction in Progress

The following is a summary of Construction in Progress at June 30, 2022. Interest cost of $108,504 were capitalized during the fiscal year:

	Amount
Charles R. Cono Campus of Life	$ 5,789,896
Total	$ 5,789,896

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 $227,966 at June 30, 2022, 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, 2022:

	Amount
Deer Springs Campus	$ 13,722,001
Residences	6,444,724
Land	2,010,395
Leasehold Improvements	2,900,840
Vehicles	2,058,367
Equipment & Furniture	413,473
Total	27,549,800
Less Accumulated Depreciation	(8,406,440)
Property and Equipment, Net	$ 19,143,360

Depreciation expense was $979,728 for the year ended June 30, 2022.

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, 2022. 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 Agency also has a $750,000 operating line of credit with a zero balance as of June 30, 2022. The operating line of credit was subsequently renewed and has a maturity date of January 15, 2024. 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, 2022:

	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.	$ 1,663,828
Promissory note payable to State of California dated July 2019. Monthly payments of $3,500 for 60 months. The note does not bear any interest. The note is due July 2024. The note is secured by a deed of trust.	432,351
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.	152,124
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.	381,598
Total	$ 2,912,045

Note 10 – Notes Payable (continued)

Current portion of the Line of Credit and Notes Payable is $817,435 for year ending June 30, 2022.

The following is a schedule of future minimum principal payments as of June 30, 2022:

Year Ending June 30:	Amount
2023	$ 817,436
2024	338,428
2025	518,708
2026	147,837
2027	129,583
Thereafter	1,410,053
	$ 3,362,045

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, 2022 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.

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 $883,467 for the year ended June 30, 2022.

Future minimum lease payments under operating lease are as follows:

Year Ending June 30:	
2023	$ 92,222
2024	44,400
2025	22,200
2026	0
2027	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	$ 6,056,225
Investments	11,052
Client Trust Accounts	227,966
Total Financial Assets	$ 6,295,243
Less those unavailable for general expenditures within one year, due to:	
Assets with donor restrictions	(2,568,205)
Replacement Reserves - restricted use	(174,790)
Client Trust Accounts – restricted use	(227,966)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,324,282

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.