

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

INDEPENDENT AUDITORS' REPORT

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

JUNE 30, 2024

	<u>Page Number</u>
Independent Auditors' Report	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5-6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8-19

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, 2024, 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, 2024, 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

August 21, 2025

T.E.R.I., INC. & AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Cash & Cash Equivalents	\$ 12,064,866
Accounts Receivable	2,798,170
Grants Receivable	110,705
Contributions Receivable	510,500
Prepaid Expenses	205,948
Investments	3,084
Client Trust Accounts	149,086
Deposits	192,536
Right of Use Asset	1,160,799
Construction in Progress	6,075,636
Property and Equipment, net	<u>34,444,187</u>
TOTAL ASSETS	<u>\$ 57,715,517</u>

LIABILITIES

Accounts Payable	\$ 3,082,530
Salaries and Benefits Payable	1,054,354
Accrued Expenses	3,070,724
Accrued Interest	149,066
Client Trust Accounts	149,086
Lease Liability	1,160,799
Notes Payable	<u>13,476,588</u>
TOTAL LIABILITIES	<u>22,143,147</u>

NET ASSETS

Without Donor Restrictions	34,900,060
With Donor Restrictions	<u>672,310</u>
TOTAL NET ASSETS	<u>35,572,370</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 57,715,517</u>

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE and SUPPORT			
Program Service Fees			
Residential	\$ 9,136,188		\$ 9,136,188
Adult Day Programs	4,386,787		4,386,787
Non Public Schools	6,022,700		6,022,700
Therapy Services	2,092,853		2,092,853
Respite	929,959		929,959
Rental Income	769,169		769,169
Culinary	732,492		732,492
Transportation	870,045		870,045
Total Program Service Fees	24,940,193	-	24,940,193
Public Support			
Contributions	3,421,002	\$ 233,000	3,654,002
Grants	438,333		438,333
Total Public Support	3,859,335	233,000	4,092,335
Other Revenue			
Sales \$ 1,136,597			
Cost of Sales <u>(337,548)</u>	799,049		799,049
Miscellaneous	596,894		596,894
Gain on Investments	22,353		22,353
Total Other Revenue	1,418,296	-	1,418,296
Net assets released from restrictions	474,317	(474,317)	-
TOTAL SUPPORT and REVENUE	30,692,141	(241,317)	30,450,824
EXPENSES			
Program Services	23,636,419		23,636,419
Supporting Services			
Management and General	4,455,174		4,455,174
Development	983,573		983,573
Total Supporting Services	5,438,747	-	5,438,747
TOTAL EXPENSES	29,075,166	-	29,075,166
INCREASE/(DECREASE) IN NET ASSETS	1,616,975	(241,317)	1,375,658
NET ASSETS, BEGINNING OF YEAR	33,283,085	913,627	34,196,712
NET ASSETS, END OF YEAR	\$ 34,900,060	\$ 672,310	\$ 35,572,370

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, 2024

	Program Services						TERI	
	Residential	Adult Day Programs	Non Public Schools	Respite	Transportation	TERI Inspired Resale	Vocational Center	Equestrian
Salaries	\$ 5,023,263	\$ 2,987,506	\$ 3,057,436	\$ 580,061	\$ 520,373	\$ 111,691	\$ 515,592	\$ 132,861
Payroll taxes	370,676	226,003	224,759	44,113	39,245	8,420	44,714	9,923
Health insurance/Wellness	156,799	208,387	146,150	15,732	16,490	10,764	12,016	9,661
Workers compensation	272,618	60,033	51,910	33,996	30,945	4,188	18,925	2,616
Client activities	76,066	3,684	2,262	9,710	-	-	-	-
Vocational service	-	19,769	-	-	-	-	-	-
Vehicle expense	-	6	-	-	554,127	-	-	-
Information Technology	42,990	59,733	26,619	9,089	42,785	7,058	23,997	7,426
Office supplies	3,977	5,833	384	97	1,107	2,055	4,182	416
Advertising	11,916	11,825	4,818	5,424	4,729	1,953	12,267	1,180
Utilities	25,775	198,495	127,165	2,388	1,433	18,124	114,999	56,815
Interest	4,995	52,390	-	223	123	-	11,107	-
Dues and subscriptions	4,012	3,446	7,978	180	86	572	11,235	168
Insurance	3,409	8,443	(1,090)	136	44	3,390	1,714	1,852
Depreciation	6,805	213,017	29,493	593	172,446	-	256,317	130,492
Rent	219,999	307,771	247,913	3,643	2,303	71,214	-	-
Unreimbursed Services	26,866	80	9,500	-	-	-	-	-
Bank charges	-	27	-	-	-	6,207	21,316	11
Business promotion	92	158	21	26	54	30	7,679	34
Taxes and licenses	149,052	687	11,580	-	-	-	925	-
Seminars	3,025	1,983	-	-	424	-	8,202	312
Auto allowance & mileage	71,869	17,865	23,608	54,843	2,940	2	271	1,336
Food	416,738	2,811	1,814	198	767	-	505	198
Household supplies	173,114	18,197	8,150	43	3,502	1,133	57,815	4,234
Equipment rental	470	18,976	706	89	637	2,452	2,747	3,429
Outside services	30,356	35,268	71,908	13,159	1,267	855	84,775	23,708
Program supplies	21,780	107,281	38,069	2,143	1,169	2,886	13,274	44,223
Repairs and maintenance	9,394	16,136	17,852	1	979	339	7,714	5,535
Medi-Cal quality assurance	388,383	-	-	-	-	-	-	-
Medications	31,492	-	-	-	-	-	-	-
	\$ 7,545,931	\$ 4,585,810	\$ 4,109,005	\$ 775,887	\$ 1,397,975	\$ 253,333	\$ 1,232,288	\$ 436,430
Percentage	26.0%	15.8%	14.1%	2.7%	4.8%	0.9%	4.2%	1.5%

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, 2024

	Program Services			Supporting Services			Total
	Therapy Services	HUD Affiliates	Total Program Services	Management and General	Development	Supporting Services Total	
Salaries	\$ 1,479,134	\$ 399,028	\$ 14,806,945	\$ 1,804,647	\$ 540,599	\$ 2,345,246	\$ 17,152,191
Payroll taxes	110,151	30,551	1,108,555	171,880	38,012	209,892	1,318,447
Health insurance/Wellness	91,183	29,756	696,938	1,039,246	-	1,039,246	1,736,184
Workers compensation	24,565	25,691	525,487	29,538	4,483	34,021	559,508
Client activities	38	-	91,760	-	-	-	91,760
Vocational service	-	-	19,769	-	-	-	19,769
Vehicle expense	-	-	554,133	-	-	-	554,133
Information Technology	53,052	28,939	301,688	387,048	26,004	413,052	714,740
Office supplies	507	318	18,876	28,502	8,609	37,111	55,987
Advertising	6,451	-	60,563	10,141	3,579	13,720	74,283
Utilities	765	290,042	836,001	135,461	30,560	166,021	1,002,022
Interest	-	7,275	76,113	1,610	-	1,610	77,723
Dues and subscriptions	1,247	4,670	33,594	25,405	5,921	31,326	64,920
Insurance	-	32,900	50,798	137,642	639	138,281	189,079
Depreciation	-	270,099	1,079,262	201,497	43,144	244,641	1,323,903
Rent	1,500	-	854,343	45,824	7,269	53,093	907,436
Unreimbursed Services	13,997	-	50,443	-	-	-	50,443
Bank charges	1,190	49	28,800	39,253	20,174	59,427	88,227
Business promotion	3,179	-	11,273	31,039	24,225	55,264	66,537
Taxes and licenses	1,760	7,897	171,901	2,333	-	2,333	174,234
Seminars	892	-	14,838	34,443	20,864	55,307	70,145
Auto allowance & mileage	27,421	-	200,155	55,626	8,352	63,978	264,133
Food	111	-	423,142	8,175	1,091	9,266	432,408
Household supplies	113	46,156	312,457	29,422	2,906	32,328	344,785
Equipment rental	-	10,848	40,354	16,110	230	16,340	56,694
Outside services	4,273	213,373	478,942	175,433	183,646	359,079	838,021
Program supplies	839	-	231,664	32,164	12,394	44,558	276,222
Repairs and maintenance	2	79,798	137,750	12,735	872	13,607	151,357
Medi-Cal quality assurance	-	-	388,383	-	-	-	388,383
Medications	-	-	31,492	-	-	-	31,492
	<u>\$ 1,822,370</u>	<u>\$ 1,477,390</u>	<u>\$ 23,636,419</u>	<u>\$ 4,455,174</u>	<u>\$ 983,573</u>	<u>\$ 5,438,747</u>	<u>\$ 29,075,166</u>
Percentage	6.3%	5.1%	81.3%	15.4%	3.4%	18.7%	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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 1,375,658
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	1,323,903
Change in Investments	10,217
Loss on fixed assets	33,732
(Increase) Decrease in Assets:	
Accounts Receivable	5,228,076
Grants Receivable	(89,430)
Contribution Receivable	(195,400)
Prepaid Expenses and Other Assets	(44,144)
Deposits	(8,547)
Increase (Decrease) in Liabilities:	
Accounts Payable	509,292
Salaries and Benefits Payable	190,211
Accrued Expenses	185,921
Accrued Interest	5,164
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>8,524,653</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Property and Equipment	(14,450,354)
NET CASH USED BY INVESTING ACTIVITIES	<u>(14,450,354)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Debt	11,390,938
Payments on Debt	(270,623)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>11,120,315</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,194,614
BEGINNING CASH AND CASH EQUIVALENTS	<u>6,870,252</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 12,064,866</u></u>

Supplemental Disclosures of Cash Flow Information:

Cash paid during year for interest \$89,482.

Noncash Financing: Debt of \$247,730 for purchase of vehicles.

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

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

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 applied behavior analysis and equestrian, as well as other programs for its clients and their families. In addition, it operates a thrift store, Cafe', Theater, and Event Venue operations, 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.

See Independent Auditors' Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

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 \$74,283 were expensed in the year ended June 30, 2024. There were no advertising costs capitalized during the year ended June 30, 2024.

See Independent Auditors' Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

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 credit losses which is included in accounts 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.

See Independent Auditors' Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

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:

<u>Type of Asset</u>	<u>Estimated Useful Life</u>
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 August 21, 2025, the date the financial statements were available to be issued.

See Independent Auditors’ Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

Note 3 – Cash and Cash Equivalents

Cash and Cash Equivalents consist of the following at June 30, 2024:

	<u>Amount</u>
Cash	\$ 6,329,486
Money Market Funds	2,404,879
US Treasury Bills	3,212,755
Replacement Reserves	117,746
Total	<u>\$ 12,064,866</u>

The Agency maintains cash balances at two financial institutions located in San Diego and San Francisco, 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, 2024, total \$12,307,139.

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.

	<u>Amount</u>
Amount of Receivable due:	
Less than one year	\$ 510,500
One to five years	0
More than five years	0
Total	<u>\$ 510,500</u>

Contributions receivable at June 30, 2024, 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.

See Independent Auditors’ Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

Note 5 – Investments – Fair Value Measurements

Fair values measured on a recurring basis at June 30, 2024 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investment in Equity Securities	<u>\$ 3,084</u>	<u>\$ 3,084</u>

Note 6 – Construction in Progress

The following is a summary of Construction in Progress at June 30, 2024. Interest cost of \$203,154 were capitalized during the fiscal year:

	<u>Amount</u>
Charles R. Cono Campus of Life	\$ 6,075,636
Total	<u>\$ 6,075,636</u>

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 \$149,086 at June 30, 2024, 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.

See Independent Auditors' Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

Note 8 – Operating Lease Right-Of-Use Assets

The Agency leases buildings under operating leases with 5-year initial terms. Most leases include renewal options which can be extended. The exercise of these renewal options is at the sole discretion of the Agency, and only lease options that the Agency believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. Variable payments, if any, are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants. The weighted average remaining lease term is 1.9 years. The weighted average discount rate is 3%.

The following summarizes the line items in the balance sheet which includes amounts for operating leases as of June 30, 2024:

Operating lease right-of-use assets	<u>\$ 1,160,799</u>
Current portion of long-term operating lease liability	\$ 470,393
Operating lease liabilities	<u>690,406</u>
Total operating lease liabilities	<u>\$ 1,160,799</u>

The following summarizes the cash flow information related to operating leases for the year ended June 30, 2024:

Cash paid for amounts included in the measurement of lease liabilities:
Operating cash flows for operating leases \$907,435.

Note 9 – Property and Equipment, Net

Property and equipment consist of the following at June 30, 2024:

	<u>Amount</u>
Deer Springs Campus	\$ 29,254,184
Residences	6,444,724
Land	1,951,578
Leasehold Improvements	2,922,842
Vehicles	2,319,460
Equipment & Furniture	<u>1,906,076</u>
Total	44,798,864
Less Accumulated Depreciation	<u>(10,354,677)</u>
Property and Equipment, Net	<u>\$ 34,444,187</u>

Depreciation expense was \$1,323,903 for the year ended June 30, 2024.

See Independent Auditors' Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

Note 10 – Notes Payable

Notes payable consist of the following at June 30, 2024:

	<u>Amount</u>
Loan agreement with a financial institution to finance improvements up to \$14,150,000. The loan is non-revolving. Monthly payments of interest only through the conversion date and then starting January 1, 2025 monthly payments of interest and principal of \$65,891. Interest is at 3.65% per annum. The full note balance was drawn down subsequent to June 30, 2024. The note balance is due April 2052, and is secured by a first deed of trust on the campus land, facilities and furnishing.	\$ 12,389,745
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 final payment is in December 2025. The note is secured by a deed of trust.	348,351
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 are 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 are 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 are 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.	3,871
Approximately thirty notes payable in monthly payments of interest and principal totaling approximately \$19,210 including interest at rates ranging from 0 to 10.79%. The notes are generally 60 months and are collateralized by vehicles.	<u>452,477</u>
Total	<u>\$ 13,476,588</u>

See Independent Auditors' Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

Note 10 – Notes Payable (continued)

Current portion of the Line of Credit and Notes Payable is \$286,565 for year ending June 30, 2024.

The following is a schedule of future minimum principal payments as of June 30, 2024:

<u>Year Ending June 30:</u>	<u>Amount</u>
2025	\$ 286,565
2026	413,991
2027	390,902
2028	347,787
2029	289,596
Thereafter	<u>11,747,747</u>
	<u>\$ 13,476,588</u>

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, 2024 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 – Line of Credit

The Agency has a \$750,000 operating line of credit with a zero balance as of June 30, 2024. The operating line of credit has a maturity date of January 15, 2025. The line subsequently renewed with a maturity date of January 15, 2027. 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 13 – Defined Contribution Plan

The Agency has established a contributory retirement plan available for all eligible employees which allows participants to make tax deferred investment contributions. The plan qualifies as a cash or deferred arrangement 403(b) plan. The Agency did not make any employer contributions for the year ending June 30, 2024.

See Independent Auditors' Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

Note 14 – Commitments and Contingencies

Retirement Plan 403(b)

The Agency has a 403(b) retirement plan for eligible employees. Certain ERISA reporting requirements for June 30, 2023 and June 30, 2024 are beyond the reporting due date, pending legal review. The accrued liability for additional employer contributions from this uncertainty is estimated at \$180,000.

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 \$964,129 for the year ended June 30, 2024.

Future minimum lease payments under operating lease are as follows:

<u>Year Ending June 30:</u>	
2025	\$ 520,996
2026	494,915
2027	245,207
2028	0
2029	0

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.

See Independent Auditors' Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

Note 14 – 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	<u>582,900</u>
Total	<u>\$ 4,863,793</u>

See Independent Auditors' Report

T.E.R.I., INC. & AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

Note 14 – 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 15 – 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	\$ 12,064,866
Investments	3,084
Client Trust Accounts	<u>149,086</u>
Total Financial Assets	\$ <u>12,217,036</u>
Less those unavailable for general expenditures within one year, due to:	
Assets with donor restrictions	(672,310)
Replacement Reserves - restricted use	(117,746)
Client Trust Accounts – restricted use	<u>(149,086)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>11,277,894</u>

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.

See Independent Auditors' Report