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

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

INDEPENDENT AUDITORS' REPORT

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

June 30, 2020

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, 2020, 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, 2020, 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

June 7, 2021

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, 2020

ASSETS	
Cash	$ 5,797,826
Accounts Receivable	2,745,177
Grants Receivable	65,827
Contributions Receivable	2,751,260
Prepaid Expenses	85,324
Investments	10,195
Client Trust Accounts	130,607
Deposits	209,472
Construction in Progress	8,322,845
Property and Equipment, net	9,613,339
TOTAL ASSETS	$ 29,731,872
LIABILITIES	
Accounts Payable	$ 947,051
Salaries and Benefits Payable	1,008,404
Accrued Expenses	291,643
Line of Credit	1,525,000
Accrued Interest	126,120
Client Trust Accounts	130,607
Notes Payable	1,845,137
TOTAL LIABILITIES	5,873,962
NET ASSETS	
Without Donor Restrictions	21,132,910
With Donor Restrictions	2,725,000
TOTAL NET ASSETS	23,857,910
TOTAL LIABILITIES AND NET ASSETS	$ 29,731,872

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE and SUPPORT			
Program Service Fees			
Residential	$ 6,513,092		$ 6,513,092
Adult Day Programs	6,488,772		6,488,772
Non Public Schools	4,372,652		4,372,652
Respite	1,353,814		1,353,814
Rental Income	648,502		648,502
Transportation	610,287		610,287
Total Program Service Fees	19,987,119	-	19,987,119
Public Support			
Contributions	4,015,348	1,650,000	5,665,348
Grants	3,171,969		3,171,969
Total Public Support	7,187,317	1,650,000	8,837,317
Other Revenue			
Thrift Store Sales $226,905			
Cost of Sales (15,971)	210,934		210,934
Miscellaneous	1,612,677		1,612,677
Gain on Investments	5,219		5,219
Total Other Revenue	1,828,830	-	1,828,830
Net assets released from restrictions	-	-	-
TOTAL SUPPORT and REVENUE	29,003,266	1,650,000	30,653,266
EXPENSES			
Program Services	19,953,414		19,953,414
Supporting Services			
Management and General	3,111,737		3,111,737
Development	448,497		448,497
Total Supporting Services	3,560,234	-	3,560,234
TOTAL EXPENSES	23,513,648	-	23,513,648
INCREASE IN NET ASSETS	5,489,618	1,650,000	7,139,618
NET ASSETS, BEGINNING OF YEAR	15,643,292	1,075,000	16,718,292
NET ASSETS, END OF YEAR	$ 21,132,910	$ 2,725,000	$ 23,857,910

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, 2020

	Program Services						
	Residential	Adult Day Programs	Non Public Schools	Respite	Transportation	TERI Inspired Resale	Equestrian
Salaries	$ 4,566,983	$ 2,808,666	$ 2,422,087	$ 698,184	$ 318,979	$ 134,720	$ 143,119
Payroll taxes	354,286	201,570	175,857	53,641	23,744	9,518	10,174
Health insurance/Wellness	175,622	272,535	200,558	13,893	14,087	2,381	17,696
Workers compensation	240,979	48,167	42,671	35,355	17,398	6,837	2,629
Client activities	33,968	3,401	248	7,512	-	-	11
Vocational service	12,200	29,899	212	-	-	-	-
Vehicle expense	-	-	-	-	424,677	2,345	-
Information Technology	35,286	34,745	29,731	14,404	46,053	5,044	5,756
Office supplies and expense	6,914	5,791	4,043	119	57	1,967	259
Advertising	9,013	4,553	1,915	2,132	1,554	5,816	20
Utilities	32,508	104,976	97,395	8,168	474	9,572	21,101
Interest	1,240	-	-	-	-	-	2,161
Dues and subscriptions	2,379	686	6,605	-	211	628	147
Insurance	1,515	3,304	2,681	43	-	3,591	5,434
Depreciation	2,983	7,557	1,478	-	242,470	15,512	127,208
Rent	261,056	336,366	223,113	17,784	3,216	53,420	-
Unreimbursed Services	-	1,545	-	50	-	8,176	-
Bank charges	-	-	-	-	-	6,854	-
Business promotion	-	-	-	-	-	-	-
Taxes and licenses	92,638	858	5,340	-	-	-	105
Seminars	202	2,312	1,000	-	-	95	408
Auto allowance and mileage	72,127	29,140	26,308	75,227	2,850	1,156	1,990
Food	326,088	12,971	1,926	405	525	158	538
Household supplies	115,872	24,264	4,744	34	961	1,007	6,417
Equipment rental	3,121	14,067	8,171	360	17	4,299	3,765
Outside services	182,831	28,995	129,070	1,272	1,501	1,658	17,608
Program supplies	25,430	75,962	24,548	3,185	2,348	4,962	36,360
Cost of goods sold	-	45,212	-	-	-	-	-
Repairs and maintenance	6,251	24,905	15,510	809	119	542	2,724
Medi-Cal quality assurance fee	304,634	-	-	-	-	-	-
Medications	47,816	-	-	-	-	-	-
	$ 6,913,942	$ 4,122,447	$ 3,425,211	$ 932,577	$ 1,101,241	$ 280,258	$ 405,630
Percentage	29.4%	17.5%	14.6%	4.0%	4.7%	1.2%	1.7%

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, 2020

	Program Services			Supporting Services			
	Therapy Services	HUD Affiliates	Program Services Total	Management and General	Development	Supporting Services Total	Total
Salaries	$ 1,134,367	$ 268,285	$ 12,495,390	$ 1,262,169	$ 273,253	$ 1,535,422	$ 14,030,812
Payroll taxes	85,272	341	914,403	141,326	19,743	161,069	1,075,472
Health insurance/Wellness	59,085	21,177	777,034	539,293	20,272	559,565	1,336,599
Workers compensation	8,726	-	402,762	42,437	2,524	44,961	447,723
Client activities	249	-	45,389	-	-	-	45,389
Vocational service	-	-	42,311	-	-	-	42,311
Vehicle expense	-	-	427,022	1,056	-	1,056	428,078
Information Technology	52,057	17,784	240,860	133,466	17,063	150,529	391,389
Office supplies and expense	6,513	-	25,663	33,123	6,021	39,144	64,807
Advertising	4,128	-	29,131	7,653	2,208	9,861	38,992
Utilities	10,721	166,611	451,526	21,609	2,881	24,490	476,016
Interest	-	20,241	23,642	79,434	-	79,434	103,076
Dues and subscriptions	4,527	4,095	19,278	67,887	7,088	74,975	94,253
Insurance	1,641	28,685	46,894	72,703	-	72,703	119,597
Depreciation	-	296,277	693,485	36,602	-	36,602	730,087
Rent	119,810	-	1,014,765	35,636	6,281	41,917	1,056,682
Unreimbursed Services	141,588	-	151,359	229,117	-	229,117	380,476
Bank charges	4,089	974	11,917	22,739	9,724	32,463	44,380
Business promotion	-	-	-	30,000	1,917	31,917	31,917
Taxes and licenses	1,097	7,849	107,887	246	4	250	108,137
Seminars	2,262	-	6,279	3,875	5,420	9,295	15,574
Auto allowance and mileage	28,153	-	236,951	40,336	4,482	44,818	281,769
Food	712	-	343,323	37,081	4,130	41,211	384,534
Household supplies	4,506	33,455	191,260	12,611	1,301	13,912	205,172
Equipment rental	3,396	-	37,196	10,037	1,949	11,986	49,182
Outside services	18,874	155,416	537,225	184,979	53,344	238,323	775,548
Program supplies	4,180	-	176,975	37,501	8,823	46,324	223,299
Cost of goods sold	-	-	45,212	-	-	-	45,212
Repairs and maintenance	447	54,518	105,825	28,821	69	28,890	134,715
Medi-Cal quality assurance fee	-	-	304,634	-	-	-	304,634
Medications	-	-	47,816	-	-	-	47,816
	$ 1,696,400	$ 1,075,708	$ 19,953,414	$ 3,111,737	$ 448,497	$ 3,560,234	$ 23,513,648
Percentage	7.2%	4.6%	84.9%	13.2%	1.9%	15.1%	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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 7,139,618
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	730,087
Unrealized (Gain)/Loss on Investments	(5,219)
Loss on Sale of Assets	660
(Increase) Decrease in Assets:	
Accounts Receivable	(727,145)
Grants Receivable	(16,358)
Contribution Receivable	(1,729,150)
Prepaid Expenses and Other Assets	32,176
Deposits	2,746
Increase (Decrease) in Liabilities:	
Accounts Payable	593,339
Salaries and Benefits Payable	90,804
Accrued Expenses	(456,233)
Accrued Interest	7,359
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,662,684
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Property and Equipment	(45,831)
Increase Construction in Progress	(677,052)
Change in Investments	2,957
NET CASH USED BY INVESTING ACTIVITIES	(719,926)
CASH FLOWS FROM FINANCING ACTIVITIES	
Advances on Line of Credit	125,000
Payments on Debt	(476,148)
NET CASH USED BY FINANCING ACTIVITIES	(351,148)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,591,610
BEGINNING CASH AND CASH EQUIVALENTS	1,206,216
ENDING CASH AND CASH EQUIVALENTS	$ 5,797,826

Supplemental Disclosures of Cash Flow Information:

Cash paid during year for interest $114,060.

Noncash Financing: Debt of $97,485 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.

The financial statements have been prepared using the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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 $170,674 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 June 7, 2021, the date the financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact net assets. Other financial impact could occur though such potential impact is unknown at this time.

Note 3 – Cash and Cash Equivalents

Cash and Cash Equivalents consist of the following at June 30, 2020:

	Amount
Cash	$ 5,677,074
Replacement Reserves	120,752
Total	$ 5,797,826

The Agency maintains cash balances at two financial institutions 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, 2020, total $6,736,142.

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	$ 2,751,260
One to five years	0
More than five years	0
Total	$ 2,751,260

Contributions receivable at June 30, 2020, 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, 2020 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investment in Equity Securities	$ 10,195	$ 10,195

Note 6 – Construction in Progress

The following is a summary of Construction in Progress at June 30, 2020. Interest cost of $19,453 were capitalized during the fiscal year:

	Amount
Charles R. Cono Campus of Life	$ 8,322,845
Total	$ 8,322,845

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 $130,607 at June 30, 2020, 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, 2020:

	Amount
Residences	$ 6,444,724
Deer Springs Campus	3,180,201
Land	2,010,395
Leasehold Improvements	2,687,442
Vehicles	1,946,979
Equipment & Furniture	296,132
Total	16,565.873
Less Accumulated Depreciation	(6,952,534)
Property and Equipment, Net	$ 9,613,339

Depreciation expense was $730,087 for the year ended June 30, 2020.

Note 9 – Line of Credit

The Agency has a $1,600,000 line of credit with a financial institution. The line of credit is secured by the Agency's inventory, equipment, accounts receivable, and general intangibles and requires compliance with certain loan covenants. Interest on outstanding borrowings is 3.5% and has a balance of $1,525,000 as of June 30, 2020. The line of credit was subsequently renewed with a maximum principal balance of $750,000 and has a maturity date of October 15, 2021.

Note 10 – Notes Payable

Notes payable consist of the following at June 30, 2020:

	Amount
Promissory note payable to a financial institution in monthly payments of principal and interest of $18,648. Interest is at 5.162% per annum. The note is due November 22, 2021, and is secured by a first deed of trust.	$ 301,430
Promissory note payable to State of California dated July 2020. 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.	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.	286,628
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.	514,584
Total	$ 1,845,137

Note 10 – Notes Payable (continued)

Current portion of the Line of Credit and Notes Payable is $2,039,928 for year ending June 30, 2020.

The following is a schedule of future minimum principal payments as of June 30, 2020:

Year Ending June 30:	Amount
2021	$ 2,039,928
2022	349,136
2023	214,228
2024	178,144
2025	56,206
Thereafter	532,495
	$ 3,370,137

Paycheck Protection Program

The Agency received a grant from California Bank & Trust in the amount of $3,053,000 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The grant is subject to a note dated April 11, 2020, and may be forgiven to the extent proceeds of the grant are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The Agency intends to use the entire grant amount for qualifying expenses. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest. If the note is not forgiven, then the note is due April 11, 2025. The proceeds from the grant are recognized as a refundable advance until the conditions for forgiveness are substantially met. As of June 30, 2020, the Agency has $3,053,000 of qualifying expenses and accordingly has recorded grant revenue of $3,053,000.

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, 2020 was $44,436. 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 $1,105,858 for the year ended June 30, 2020.

Future minimum lease payments under operating lease are as follows:

Year Ending June 30:	
2021	$ 147,041
2022	93,888
2023	92,222
2024	44,400
2025	44,400

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

Note 12 – Commitments and Contingencies (continued)

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.

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	$ 5,797,826
Accounts Receivable	2,745,177
Grants Receivable	65,827
Contribution Receivable	2,751,260
Investments	10,195
Client Trust Accounts	130,607
Total Financial Assets	$ 11,500,892
Less those unavailable for general expenditures within one year, due to:	
Accounts Payable and Accrued Expenses	(947,051)
Salaries and Benefits Payable	(1,008,404)
Accrued Expenses	(291,643)
Contribution Receivable - donor restricted	(2,725,000)
Replacement Reserves - restricted use	(120,752)
Client Trust Accounts – restricted use	(130,607)
Current portion long term debt	(2,039,928)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,237,507

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.