Delta Institute and Affiliates

Consolidated Financial Report
with Supplemental Information
June 30, 2014

Delta Institute and Affiliates

Contents

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Independent Auditor's Report

To the Board of Directors
Delta Institute and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Delta Institute and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

To the Board of Directors
Delta Institute and Affiliates

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delta Institute and Affiliates as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 on our consideration of Delta Institute and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Delta Institute and Affiliates' internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 13, 2014

Delta Institute and Affiliates

Consolidated Statement of Financial Position

	June 30, 2014	June 30, 2013
Assets		
Current Assets		
Cash and cash equivalents	$ 982,836	$ 741,730
Receivables - Grants and miscellaneous receivables - Net of allowance of $8,629 in 2014 and $8,763 in 2013	430,121	807,165
Inventory	-	10,085
Notes receivable	49,714	-
Due from GLRSF, LLC	233,325	208,981
Prepaid expenses	29,925	37,744
Other current assets	15,306	29,817
Total current assets	1,741,227	1,835,522
Deposits	25,750	25,750
Beneficial Interest in Trust (Note 14)	5,383,426	4,804,344
Property and Equipment - Net (Note 5)	167,017	169,992
Other Assets		
Notes receivable - Revere Housing Program (Note 3)	1,846,668	2,395,003
Cash - CMAP loan fund (Note 6)	148,365	1,397,560
Loan receivable - GLRSF, LLC (Note 2)	689,407	689,407
Participation interest in loans (Note 4)	226,978	421,366
Total assets	**$ 10,228,838**	**$ 11,738,944**

Consolidated Statement of Financial Position (Continued)

	June 30, 2014	June 30, 2013
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 99,962	$ 366,487
Deposits	21,000	21,000
Current portion of notes payable	507,207	506,710
Deferred revenue (Note 7)	296,013	298,154
Accrued liabilities	205,080	164,844
Total current liabilities	1,129,262	1,357,195
Long-term Liabilities		
Forgivable loan (Note 2)	689,407	689,407
Deferred contribution liability (Note 3)	1,846,668	2,395,003
Revolving loan fund - Cook County	265,672	511,699
CMAP loan fund	148,365	1,397,560
Notes payable (Note 12)	14,072	21,279
Total liabilities	4,093,446	6,372,143
Net Assets		
Unrestricted	527,086	496,964
Temporarily restricted (Note 8)	224,880	65,493
Permanently restricted (Note 14)	5,383,426	4,804,344
Total net assets	6,135,392	5,366,801
Total liabilities and net assets	**$ 10,228,838**	**$ 11,738,944**

Consolidated Statement of Activities and Changes in Net Assets

	Year Ended							
	June 30, 2014				June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Contributions	$ 112,579	$ 500,000	$ -	$ 612,579	$ 135,118	$ 345,000	$ -	$ 480,118
Grants and contract fees	2,556,196	-	-	2,556,196	3,366,454	-	-	3,366,454
Fees for service revenue	103,313	-	-	103,313	118,174	-	-	118,174
Revenue for reuse materials sold	903,671	-	-	903,671	852,102	-	-	852,102
Interest and other income	84,161	-	-	84,161	36,905	-	-	36,905
Investment income from beneficial interest in trust	206,183	-	-	206,183	208,494	-	-	208,494
Change in fair value of beneficial interest in trust	-	-	579,082	579,082	-	-	368,528	368,528
Total revenue and support	3,966,103	500,000	579,082	5,045,185	4,717,247	345,000	368,528	5,430,775
Net Assets Released from Restrictions	340,613	(340,613)	-	-	367,539	(367,539)	-	-
Total revenue, support, and net assets released from restrictions	4,306,716	159,387	579,082	5,045,185	5,084,786	(22,539)	368,528	5,430,775
Expenses								
Program	3,880,366	-	-	3,880,366	4,439,361	-	-	4,439,361
General and administrative	244,173	-	-	244,173	292,307	-	-	292,307
Fundraising	152,055	-	-	152,055	176,542	-	-	176,542
Total expenses	4,276,594	-	-	4,276,594	4,908,210	-	-	4,908,210
Increase (Decrease) in Net Assets	30,122	159,387	579,082	768,591	176,576	(22,539)	368,528	522,565
Net Assets - Beginning of year	496,964	65,493	4,804,344	5,366,801	320,388	88,032	4,435,816	4,844,236
Net Assets - End of year	**$ 527,086**	**$ 224,880**	**$ 5,383,426**	**$ 6,135,392**	**$ 496,964**	**$ 65,493**	**$ 4,804,344**	**$ 5,366,801**

Consolidated Statement of Cash Flows

	Year Ended June 30, 2014	Year Ended June 30, 2013
Cash Flows from Operating Activities		
Increase in net assets	$ 768,591	$ 522,565
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	40,492	34,336
Provision for losses on notes receivable	-	94,604
Change in value of beneficial interest in trust	(579,082)	(368,528)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts and grants receivable	377,044	140,644
Note receivable	(49,714)	-
Due from GLRSF, LLC	(24,344)	43,864
Prepaid expenses and other current assets	22,330	(15,771)
Deposits - Asset	-	(15,000)
Accounts payable and accrued expenses	(228,789)	(325,269)
Deferred revenue	(2,141)	(143,451)
Inventory	10,085	(10,085)
Net cash provided by (used in) operating activities	334,472	(42,091)
Cash Flows from Investing Activities		
Purchases of furniture, equipment, and leasehold improvements	(37,517)	(44,569)
Collections on participation interest in loans	194,388	11,902
Net cash provided by (used in) investing activities	156,871	(32,667)
Cash Flows from Financing Activities		
Repayment of revolving loan fund - Cook County	(246,027)	-
Net (repayments) borrowings under capital lease obligations	(4,210)	7,147
Net cash (used in) provided by financing activities	(250,237)	7,147
Net Increase (Decrease) in Cash and Cash Equivalents	241,106	(67,611)
Cash and Cash Equivalents - Beginning of year	741,730	809,341
Cash and Cash Equivalents - End of year	**$ 982,836**	**$ 741,730**
Supplemental Disclosure of Cash Flow Information - Cash paid for		
Notes receivable - Revere Housing Program forgiven and applied against deferred contribution liability	$ 548,335	$ 498,328
Equipment purchase financed with note payable	34,604	16,038
Interest paid	3,961	1,820

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of the Organizations - Delta Institute (Delta) is chartered as an Illinois not-for-profit corporation and began operations on July 1, 1998. Delta works in partnership with businesses, government, and communities in the Great Lakes region to create and implement innovative, market-driven solutions that build environmental resilience, economic vitality, and healthy communities.

Delta Redevelopment Institute (REDI) is chartered as an Illinois not-for-profit corporation and began operations in December 1998. REDI facilitates Brownfield redevelopment in the metropolitan Chicago area by addressing pre-development barriers.

The Delta P2E2 Center, LLC (P2/E2) is a single-member limited liability company formed by Delta in 2004 to provide technical assistance and financing to support the implementation of pollution prevention and energy efficiency measures.

The Delta Revere Program, LLC (Revere) is a single-member limited liability company formed by Delta on June 1, 2005 to act as the Designated Lender under the Revere Community Affordable Housing Grant Program Agreement dated as of May 12, 2005 by and between Delta and the Comer Science and Education Foundation (Comer). Loans are made to eligible homebuyers to induce development of affordable housing and to combat community deterioration in the neighborhood and community surrounding the Revere School in Chicago, Illinois.

The REDI 7256 South Chicago, LLC (7256) is a single-member limited liability company formed by REDI on June 1, 2005 to acquire, provide remediation to, and locate a commercial user for the property commonly known as 7256 South Chicago Avenue in Chicago, Illinois. Comer has entered into a grant agreement with 7256 to provide grant funds to finance these activities.

During July 2008, Delta formed the Delta Institute Building Material Reuse Center (Reuse) as a separate corporation under its control. Reuse collects donated used building materials from deconstruction projects, renovations, and other sources for resale to the general public at a very low cost.

Significant accounting policies are as follows:

Principles of Consolidation - Delta has economic interest in and exercises control over the activities of REDI and Reuse. Delta owns 100 percent of P2/E2 and Revere, and REDI owns 100 percent of REDI 7256 South Chicago, LLC. Accordingly, consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. All significant intercompany accounts and transactions have been eliminated as of and for the years ended June 30, 2014 and 2013. The consolidated entity is referred to as the "Organization."

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Cash Equivalents - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Beneficial Interest in Trust - The Organization has funds held by Chicago Community Trust from which income is received based on the Organization's share. The interest in the trust is stated at the estimated fair value based on the percentage of the trust designated to the Organization applied to the total fair value of the trust, which is based primarily on quoted market prices of the trust's underlying assets. The Organization's share of such trust's assets is included in the statement of financial position as beneficial interest in trust and is classified as permanently restricted net assets.

Property and Equipment - Property and equipment with an individual value in excess of $1,000 are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Estimated lives are five years for furniture and equipment and the remaining lease term for leasehold improvements. Costs of maintenance and repairs are charged to expense when incurred.

Classification of Net Assets - Net assets of the Organization are classified as unrestricted, temporarily restricted, and permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Revenue Recognition - Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Contributions, including unconditional promises to give and certain grants, are measured at their fair values and are reported as an increase in net assets when pledged by the donor. Conditional promises to give and certain grants are recognized when the conditions on which they depend are substantially met.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Deferred revenue represents payments received that have not been earned as of the report date. If activities are not completed during the periods, the governmental entities are not obligated to expend funds allotted under the grants and contracts.

Fee for service revenue consists of contract revenue for management and consulting services. The revenue is recognized as it is earned.

Donated Services and Assets - Reuse regularly receives donated materials from deconstruction projects for resale to the general public. The volume and nonstandardized nature of the items received would make it cost prohibitive to assign a value to each. Furthermore, management is of the opinion that an uncertainty exists as to whether particular items may ever be resold, and therefore may have no value. Accordingly, revenue is recognized when donated reuse materials are sold, rather than when the materials are received. Occasionally, Reuse will purchase reclaimed materials to divert them from the waste stream. Minor purchases of reclaimed items are expensed.

The Organization records the estimated value of donations of professional services as revenue and expense in the consolidated statement of activities and changes in net assets. In-kind contributions received amounted to $63 for the year ended June 30, 2013. There were no in-kind contributions for the year ended June 30, 2014.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Tax Status - The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has been classified as other than a private foundation by the Internal Revenue Service.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Accounting standards require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2011.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including November 13, 2014, which is the date the consolidated financial statements were available to be issued.

Note 2 - Equity Interest in LLC

REDI owns a 99.999 percent interest in the Great Lakes Region Sustainability Funds, LLC (GLRSF). REDI has elected not to consolidate GLRSF because in accordance with Emerging Issue Task Force Abstract No. 96-16, *Investor's Accounting for an Investee When the Investor has a Majority of the Voting Interest but the Minority Shareholder or Shareholders have Certain Approval or Veto Rights*, REDI is deemed to not have a controlling financial interest in GLRSF. The minority owner has an equal say and vote over all business and financial decisions of GLRSF. Through June 30, 2010, REDI accounted for the investment in GLRSF under the equity method of accounting. Under the equity method, the original investment is recorded at cost and is adjusted periodically to recognize the investor's share of earnings or losses after the date of acquisition. At June 30, 2010, GLRSF had negative equity. Accordingly, REDI reduced its original investment of $999 to $0, at which point the use of the equity method was discontinued. Reducing the investment below $0 was not deemed appropriate as REDI has not guaranteed the obligations of GLRSF, nor has it committed to providing financial support.

Note 2 - Equity Interest in LLC (Continued)

During the years ended June 30, 2014 and 2013, REDI earned management fees amounting to $103,313 in each year, from GLRSF. Fees and interest due from GLRSF at June 30, 2014 and 2013 amounted to $232,326 and $208,981, respectively. In addition, REDI has a loan receivable from GLRSF amounting to $689,407 at June 30, 2014 and 2013. The loan was issued as part of a lead poisoning prevention program funded through a grant from the City of Chicago. The loan bears interest at 2.5-3.5 percent per annum and payments of interest only are due monthly. Interest income related to this loan amounted to $21,779 and $25,008 for the years ended June 30, 2014 and 2013, respectively. The loan receivable is mirrored by a forgivable loan in the amount of $689,407 from the City of Chicago. Under the terms of the grant agreement, the principal of both loans will be forgiven in like amounts if all monthly payments of interest are paid through and including the maturity dates.

Note 3 - Notes Receivable - Revere Housing Program and Deferred Contribution Liability

During the years ended June 30, 2006 through June 30, 2011, the Delta Revere Program, LLC (Revere) received grant funds amounting to $3,440,000 from Comer Science and Education Foundation (Comer) with which to make loans to eligible homebuyers for use in purchasing their home residence. Loans are made for home purchases within the neighborhood and community surrounding the Revere school in Chicago, Illinois.

Each eligible homebuyer has signed an interest-free promissory note with Revere subject to a mortgage, security, and recapture agreement (the "Agreement") in the amount of either $80,000 or $50,000. Should the homebuyer not default as defined in the Agreement and continue residence on the property, the note will be forgiven based on the following schedule:

	$80,000 Note	$50,000 Note
Mortgage anniversary:		
Prior to 5th year	$ -	$ -
Between 5th and 6th year	13,333	8,333
Between 6th and 7th year	26,667	16,667
Between 7th and 8th year	40,000	25,000
Between 8th and 9th year	53,333	33,333
Between 9th and 10th year	66,667	41,667
After the 10th year	80,000	50,000

In the event the eligible homebuyer defaults or discontinues residence in the property prior to the 10th anniversary of the mortgage, the balance not forgiven must be repaid to Revere. Under an agreement with Comer, Revere has agreed to use any such repayment for philanthropic reuse within the Revere community.

Note 3 - Notes Receivable - Revere Housing Program and Deferred Contribution Liability (Continued)

As of June 30, 2012, all grant funds received from Comer under the program were loaned to eligible homebuyers. Loans made are recorded in the accompanying consolidated statement of financial position under the caption "Notes receivable - Revere Housing Program," while grants received from Comer to fund the loans are reported as a liability under the caption "Deferred contribution liability." It is expected that this liability will be amortized to income as the notes are forgiven or defaulted. The forgiveness/amortization of the notes receivable and deferred contribution liability, assuming homebuyers remain in their residence for 10 years, for the years ending June 30 are as follows:

2015		$ 565,005
2016		573,327
2017		360,007
2018		239,997
2019		74,999
Thereafter		33,333
	Total	$ 1,846,668

During the years ended June 30, 2014 and 2013, a portion of certain loans amounting to $548,335 and $498,328, respectively, was forgiven in accordance with the agreement. These amounts were recognized as both an expense, for the note forgiveness, and revenue, for recognition of a portion of the deferred contribution liability, in the accompanying consolidated statement of activities and changes in net assets for the years ended June 30, 2014 and 2013.

Note 4 - Participation Interest in Loans

Delta is a participant in loans made through a lead lender, Green Choice Bank, as evidenced by certain loan participation agreements. Under these agreements, Delta has acquired "an undivided participation interest in the loan and the loan documents" of the bank. As of June 30, 2014 and 2013, $226,978 and $421,366, respectively, was outstanding under three separate agreements with a zero percent interest rate. As of June 30, 2014, one of the agreements was paid in full. The source of funding for these advances is the "Revolving Loan Fund - Cook County" (see Note 7). Management is of the opinion that Delta bears no risk of loss in relation to these agreements.

In June 2014, Green Choice Bank was purchased by Providence Bank. Providence Bank held one of the loan participation agreements as of June 30, 2014. The other loan participation agreement was held by a real estate company as of June 30, 2014.

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2014	2013	Depreciable Life - Years
Machinery and equipment - Cost	$ 48,919	$ 44,231	5
Furniture and fixtures - Cost	147,635	124,482	5
Leasehold improvements - Cost	67,297	57,621	Lease term
Total cost	263,851	226,334	
Accumulated depreciation	96,834	56,342	
Net property and equipment	$ 167,017	$ 169,992	

Depreciation expense was $40,492 for 2014 and $34,336 for 2013.

Note 6 - Restricted Cash

Delta has entered into an agreement with the Chicago Metropolitan Agency for Planning (CMAP) to serve as escrow agent for the Selection of Loan and Program Administrator for Residential Retrofit Fund Program of Energy Impact Illinois. Delta received $2,000,000 under the program with the requirement that the proceeds be maintained in a separate noninterest-bearing cash account.

Under the original agreement, Delta was to identify and qualify potential debtors to receive energy efficiency improvement loans. The loan fund would be used to act as security for loan losses of participating lenders up to the loss reserve percentage as defined in the agreement. During the year ended June 30, 2013, the agreement with CMAP was amended, thereby reducing the loan fund to $500,000. The remaining funding of $1,500,000 may be used for interest rate buy-downs, approved rebates, and administrative support, all as defined in the amendment. As of June 30, 2014 and 2013, this is presented in the accompanying consolidated statement of financial position under the caption "Cash - CMAP loan fund" along with an offsetting liability under the caption "CMAP loan fund."

Note 7 - Unearned Revenue and Advances

Unearned revenue and advances at June 30, 2014 and 2013 consist of the following:

	2014	2013
City of Chicago Department of Energy - Weatherization	$ -	$ 140,761
Illinois Department of Commerce and Economic Opportunity - Urban Weatherization Initiative	-	115,177
Illinois Attorney General - Weatherization	-	19,398
Cook County	246,026	-
ERS	12,996	-
United States Department of Agriculture - Economic Research Service	-	9,768
All Cell Interest	6,564	5,220
Delta Emerging Leaders	4,283	5,279
HHDC Interest	2,551	2,551
Other	23,593	-
Total	$ 296,013	$ 298,154

During the year ended June 30, 2012, $511,699 advanced under the Energy Efficiency Conservation Block Grant Program was used to establish a revolving loan fund as defined in the grant agreement. The loan fund is included under the caption "Revolving Loan Fund - Cook County" in the accompanying consolidated statement of financial position as of June 30, 2014 and 2013. The remaining advance amount was used to fund program expenditures.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 are purpose restricted for the following:

	2014	2013
Act of Hope Foundation - Job training	$ 6,130	$ -
Joyce Foundation - Fisk and Crawford Phase 3	-	33,334
Grand Victoria Foundation - Wood utilization	30,000	30,000
Crown Family Philanthropies - Little Village	120,000	-
Chicago Community Trust - Urban Wood	33,750	-
Legacy Foundation - Gary Deconstruction	25,000	-
Other	10,000	2,159
Total temporarily restricted net assets	$ 224,880	$ 65,493

Note 9 - Lease Commitments

Delta Office Lease

During October 2011, Delta entered into a lease agreement for office space commencing March 1, 2012. The lease has a 12-year term requiring monthly base rent payments of $12,472 starting in the fourth month of the lease through the end of the lease term. In addition to the base rent, Delta must pay its proportionate share of certain expenses and real estate taxes over the base year.

The lease provides for rent to be abated during the first three months of the term. Generally accepted accounting principles require the rent expense paid to be recognized ratably over the lease term. Accordingly, the amount of rent expense does not coincide with cash payments. This gives rise to a deferred lease benefit liability, which is being amortized over the term of the lease. The deferred lease benefit liability at June 30, 2014 and 2013 amounted to $30,140 and $33,258, respectively, which is included in accrued liabilities on the consolidated statement of financial position.

Reuse Warehouse Lease

Effective October 1, 2012, Reuse entered into a lease agreement for new warehouse space. The lease has an eight-year term requiring monthly base rent payments ranging from $12,500 to $14,926 starting in the third month of the lease. In addition to the base rent, Reuse must pay its proportionate share of real estate taxes over the base year. The deferred lease benefit liability for this lease at June 30, 2014 and 2013 amounted to $40,535 and $32,783, respectively, which is included in accrued liabilities on the consolidated statement of financial position.

Equipment

During July 2011, Delta entered into a lease agreement for copier equipment expiring in July 2017.

The future minimum base rental payments for the years ending June 30 are as follows:

Years Ending June 30	Delta Office	Reuse Warehouse	Copier	Total
2015	$ 149,660	$ 157,204	$ 11,223	$ 318,087
2016	149,660	161,920	11,223	322,803
2017	149,660	166,777	935	317,372
2018	149,660	171,781	-	321,441
2019	149,660	176,934	-	326,594
Thereafter	698,414	74,628	-	773,042
Total	$ 1,446,714	$ 909,244	$ 23,381	$ 2,379,339

Note 9 - Lease Commitments (Continued)

Rent expense on all operating leases for the years ended June 30, 2014 and 2013 amounted to $306,919 and $266,825, respectively.

Note 10 - Retirement Plan

Delta offers a 401(k) plan to all employees meeting the eligibility requirements, as defined in the plan. The plan allows for elective employee contributions up to the amount set by federal law and a mandatory employer contribution limited to 3 percent of eligible compensation. Total Organization contributions charged to retirement costs in 2014 and 2013 were $32,927 and $27,600, respectively.

Note 11 - Bank Line of Credit

Delta has a line of credit with a bank, which provides borrowings up to $200,000. Advances bear interest at 5 percent and are secured by all business assets. There were no borrowings under this agreement as of June 30, 2014 and 2013. The line expires on June 15, 2015.

Delta obtained a letter of credit agreement for up to $136,731 to stand in place of a security deposit for its office lease. Advances bear interest at 5 percent and are secured by certain cash accounts. There have been no advances on this letter of credit agreement as of June 30, 2014 and 2013.

Note 12 - Notes Payable

Notes payable at June 30, 2014 and 2013 consist of the following:

	2014	2013
P2/E2 - Note payable, Bank of America, unsecured, requiring monthly payments of interest only of 3 percent per annum and due in full on August 15, 2012. The principal amount of the note may be used to finance the redevelopment of programs supporting environmental quality and energy efficiency.	$ 500,000	$ 500,000
Note payable, finance company, in the original amount of $19,310, payable in 60 monthly installments of $404, including interest at 9.31 percent. The note is collateralized by a vehicle and expires on October 28, 2016	10,449	14,133
Note payable, finance company, in the original amount of $16,038, payable in 60 monthly installments of $299, including interest at 4.5 percent. The note is collateralized by a vehicle and expires on October 28, 2016	10,830	13,856
Total	521,279	527,989
Less current portion	507,207	506,710
Long-term portion	$ 14,072	$ 21,279

Notes payable mature as follows:

2015	$ 507,207
2016	7,746
2017	5,436
2018	890
Total	$ 521,279

Note 13 - Concentration of Credit Risk

The Organization has concentrated its credit risk for cash by maintaining deposits in financial institutions which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

The Organization receives substantially all funding from a relatively small group of government, foundation, and corporate donors. There is a risk that this funding could be curtailed, in which case the Organization would seek alternative funding or reduce its scale of operations.

Note 14 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets and the techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 14 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2014
Beneficial interest in trust	$ -	$ -	$ 5,383,426	$ 5,383,426

Assets Measured at Fair Value on a Recurring Basis at June 30, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2013
Beneficial interest in trust	$ -	$ -	$ 4,804,344	$ 4,804,344

The fair value of beneficial interest in trust at June 30, 2014 and 2013 was determined based on the percentage of an investment pool held and managed by Chicago Community Trust that is designated to the Organization applied to the total fair value of the investment pool, which is based on quoted market prices of the underlying assets when available. The Chicago Community Trust utilizes various third-party investment managers to monitor, participate in fund manager calls, and obtain underlying financial information on the investment pool. The Organization cannot independently assess the value of these underlying positions through a public exchange or over-the-counter market. Changes in the fair value of the underlying trust assets, as determined by the Chicago Community Trust, are recognized in the period in which they occur.

Note 14 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2014 and 2013 are as follows:

	Beneficial Interest in Trust
Balance at June 30, 2013	$ 4,804,344
Total unrealized gains	579,082
Balance at June 30, 2014	$ 5,383,426

	Beneficial Interest in Trust
Balance at June 30, 2012	$ 4,435,816
Total unrealized gains	368,528
Balance at June 30, 2013	$ 4,804,344

Unrealized gains of $579,082 and $368,528 for the years ended June 30, 2014 and 2013, respectively, are reported in change in fair value of beneficial interest in trust in the consolidated statement of activities and changes in net assets.

Supplemental Information

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Independent Auditor's Report on Supplemental Information

To the Board of Directors
Delta Institute and Affiliates

We have audited the consolidated financial statements of Delta Institute and Affiliates as of and for the years ended June 30, 2014 and 2013 and have issued our report thereon dated November 13, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities and changes in net assets (deficit), and consolidated statement of functional expenses are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

November 13, 2014

Delta Institute and Affiliates

Consolidating Statement of Financial Position
June 30, 2014
(with comparative totals for June 30, 2013)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Delta Revere Program, LLC	Delta Institute Building Material Reuse Center	Eliminating Entries	Total 2014	Total 2013
Assets								
Current Assets								
Cash and cash equivalents	$ 679,510	$ 227,742	$ 8,253	$ 21,000	$ 46,331	$ -	$ 982,836	$ 741,730
Receivables - Grants and miscellaneous receivables - Net of allowance of $8,629 in 2014 and $8,763 in 2013	478,757	5,440	9,020	-	14,065	(77,161)	430,121	807,165
Inventory	-	-	-	-	-	-	-	10,085
Notes receivable	139,500	-	40,714	-	-	(130,500)	49,714	-
Due from GLRSF, LLC	-	233,325	-	-	-	-	233,325	208,981
Prepaid expenses and other current assets:								
Prepaid expenses	16,242	-	-	-	13,683	-	29,925	37,744
Other current assets	30,806	-	-	-	-	(15,500)	15,306	29,817
Total current assets	1,344,815	466,507	57,987	21,000	74,079	(223,161)	1,741,227	1,835,522
Deposits	750	-	-	-	25,000	-	25,750	25,750
Beneficial Interest in Trust	5,383,426	-	-	-	-	-	5,383,426	4,804,344
Property and Equipment - Net	117,804	-	-	-	49,213	-	167,017	169,992
Other Assets								
Notes receivable - Revere Housing Program	-	-	-	1,846,668	-	-	1,846,668	2,395,003
Cash - CMAP loan fund	148,365	-	-	-	-	-	148,365	1,397,560
Loan receivable - GLRSF, LLC	-	689,407	-	-	-	-	689,407	689,407
Participation interest in loans	226,978	-	-	-	-	-	226,978	421,366
Total assets	**$ 7,222,138**	**$ 1,155,914**	**$ 57,987**	**$ 1,867,668**	**$ 148,292**	**$ (223,161)**	**$10,228,838**	**$11,738,944**

Delta Institute and Affiliates

Consolidating Statement of Financial Position (Continued)
June 30, 2014
(with comparative totals for June 30, 2013)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Delta Revere Program, LLC	Delta Institute Building Material Reuse Center	Eliminating Entries	Total 2014	Total 2013
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Accounts payable	$ 75,904	$ 27,945	$ -	$ -	$ 64,274	$ (68,161)	$ 99,962	$ 366,487
Deposits	-	-	-	21,000	-	-	21,000	21,000
Current portion of notes payable	-	-	500,000	-	7,207	-	507,207	506,710
Deferred revenue	296,013	-	-	-	-	-	296,013	298,154
Accrued liabilities	96,749	-	31,895	-	76,436	-	205,080	164,844
Total current liabilities	468,666	27,945	531,895	21,000	147,917	(68,161)	1,129,262	1,357,195
Long-term Liabilities								
Forgivable loan	-	689,407	-	-	155,000	(155,000)	689,407	689,407
Deferred contribution liability	-	-	-	1,846,668	-	-	1,846,668	2,395,003
Revolving loan fund - Cook County	265,672	-	-	-	-	-	265,672	511,699
CMAP loan fund	148,365	-	-	-	-	-	148,365	1,397,560
Notes payable	-	-	-	-	14,072	-	14,072	21,279
Total liabilities	882,703	717,352	531,895	1,867,668	316,989	(223,161)	4,093,446	6,372,143
Net Assets (Deficit)								
Unrestricted	747,259	438,562	(473,908)	-	(184,827)	-	527,086	496,964
Temporarily restricted	208,750	-	-	-	16,130	-	224,880	65,493
Permanently restricted	5,383,426	-	-	-	-	-	5,383,426	4,804,344
Total net assets (Deficit)	6,339,435	438,562	(473,908)	-	(168,697)	-	6,135,392	5,366,801
Total liabilities and net assets (Deficit)	**$ 7,222,138**	**$ 1,155,914**	**$ 57,987**	**$ 1,867,668**	**$ 148,292**	**$ (223,161)**	**$10,228,838**	**$11,738,944**

Delta Institute and Affiliates

Consolidating Statement of Activities and Changes in Net Assets (Deficit)
Year Ended June 30, 2014
(with comparative totals for year ended June 30, 2013)

	Delta Institute			Delta Redevelopment Institute		Delta P2E2 Center, LLC		Delta Revere Program, LLC		Delta Institute Building Material Reuse Center			Total	
	Unrestricted	Temporarily Restricted	Premanently Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Eliminations	2014	2013
Revenue and Support														
Contributions	$ 73,919	$ 460,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 103,946	$ 40,000	$ (65,286)	$ 612,579	$ 480,118
Grants and contract fees	2,058,194	-	-	10,225	-	20	-	548,335	-	-	-	(60,578)	2,556,196	3,366,454
Fees for service revenue	-	-	-	103,313	-	-	-	-	-	-	-	-	103,313	118,174
Revenue for reuse materials sold	-	-	-	-	-	-	-	-	-	899,504	-	4,167	903,671	852,102
Interest and other income	85,283	-	-	21,779	-	1	-	-	-	45,902	-	(68,804)	84,161	36,905
Interest from beneficial interest in trust	206,183	-	-	-	-	-	-	-	-	-	-	-	206,183	208,494
Change in fair value of beneficial interest in trust	-	-	579,082	-	-	-	-	-	-	-	-	-	579,082	368,528
Total revenue and support	2,423,579	460,000	579,082	135,317	-	21	-	548,335	-	1,049,352	40,000	(190,501)	5,045,185	5,430,775
Net Assets Released from Restrictions	314,584	(314,584)	-	-	-	-	-	-	-	26,029	(26,029)	-	-	-
Total revenue, support, and net assets released from restrictions	2,738,163	145,416	579,082	135,317	-	21	-	548,335	-	1,075,381	13,971	(190,501)	5,045,185	5,430,775
Expenses														
Program	2,195,384	-	-	181,027	-	88,681	-	548,335	-	1,057,440	-	(190,501)	3,880,366	4,439,361
General and administrative	244,173	-	-	-	-	-	-	-	-	-	-	-	244,173	292,307
Fundraising	152,055	-	-	-	-	-	-	-	-	-	-	-	152,055	176,542
Total expenses	2,591,612	-	-	181,027	-	88,681	-	548,335	-	1,057,440	-	(190,501)	4,276,594	4,908,210
Increase (Decrease) in Net Assets	146,551	145,416	579,082	(45,710)	-	(88,660)	-	-	-	17,941	13,971	-	768,591	522,565
Net Assets (Deficit) - Beginning of year	600,708	63,334	4,804,344	484,272	-	(385,248)	-	-	-	(202,768)	2,159	-	5,366,801	4,844,236
Net Assets (Deficit) - End of year	**$ 747,259**	**$ 208,750**	**$ 5,383,426**	**$ 438,562**	**$ -**	**$ (473,908)**	**$ -**	**$ -**	**$ -**	**$ (184,827)**	**$ 16,130**	**$ -**	**$ 6,135,392**	**$ 5,366,801**

Consolidated Statement of Functional Expenses
Year Ended June 30, 2014
(with comparative totals for year ended June 30, 2013)

	Program Services	Support Services			Total	
	Program	Fundraising	General and Administrative	Total	2014	2013
Salaries	$ 1,433,058	$ 89,754	$ 150,568	$ 240,322	$ 1,673,380	$ 1,723,679
Payroll taxes and benefits	281,032	18,042	30,265	48,307	329,339	317,354
Total salaries and related expenses	1,714,090	107,796	180,833	288,629	2,002,719	2,041,033
Revere program note forgiveness	548,335	-	-	-	548,335	606,825
Consultants	785,837	4,117	6,906	11,023	796,860	548,997
Rent and utilities	314,727	12,496	20,963	33,459	348,186	308,071
Scholarships and grants	-	-	-	-	-	497,710
Contractors	16,524	-	-	-	16,524	180,211
Audits for projects	7,100	-	-	-	7,100	72,735
Computer support	47,934	3,552	5,958	9,510	57,444	87,210
Equipment	7,865	272	456	728	8,593	22,965
Depreciation	44,096	2,845	4,773	7,618	51,714	34,336
Organizational insurance	43,228	1,137	1,908	3,045	46,273	52,325
Communications	56,254	4,489	7,530	12,019	68,273	88,007
Office expenses	74,885	1,551	2,175	3,726	78,611	143,047
Legal/Accounting	38,933	2,899	4,863	7,762	46,695	74,223
Meetings/Conferences	48,564	2,899	3,579	6,478	55,042	35,723
Travel	59,054	6,820	2,242	9,062	68,116	62,581
Training	5,118	478	803	1,281	6,399	8,242
Bank and other fees	31,825	577	968	1,545	33,370	29,258
Miscellaneous	-	-	-	-	-	8,732
Other project expenses	35,997	127	216	343	36,340	5,979
Total functional expenses	**$ 3,880,366**	**$ 152,055**	**$ 244,173**	**$ 396,228**	**$ 4,276,594**	**$ 4,908,210**