Delta Institute and Affiliates

Consolidated Financial Report
with Supplemental Information
June 30, 2019

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, 2019 and 2018 and the related consolidated statements of activities and changes in net assets, functional expenses, 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.

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, 2019 and 2018 and the changes in their net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, the Organization adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

PRAXITY™ Empowering Business Globally

To the Board of Directors
Delta Institute and Affiliates

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2020 on our consideration of Delta Institute and Affiliates' internal control over financial reporting and on our tests of their 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

January 6, 2020

Consolidated Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 538,506	$ 728,867
Grants and miscellaneous receivables	789,210	1,010,983
Note receivable	105,917	105,917
Due from GLRSF, LLC (Note 4)	999	301,701
Prepaid expenses and other current assets	101,302	81,653
Total current assets	1,535,934	2,229,121
Other Assets - Loan receivable - GLRSF, LLC (Note 4)	689,407	689,407
Property and Equipment - Net (Note 6)	70,136	79,141
Beneficial Interest in Trust	5,532,656	5,645,054
Total assets	**$ 7,828,133**	**$ 8,642,723**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 356,950	$ 397,078
Accrued liabilities	214,947	202,796
Notes payable (Note 10)	500,000	500,000
Total current liabilities	1,071,897	1,099,874
Long-term Liabilities		
Revolving loan fund - Cook County, Illinois	174,299	182,189
Forgivable loan (Note 4)	689,407	689,407
Total liabilities	1,935,603	1,971,470
Net Assets		
Without donor restrictions	(485,924)	2,252
With donor restrictions	6,378,454	6,669,001
Total net assets	5,892,530	6,671,253
Total liabilities and net assets	**$ 7,828,133**	**$ 8,642,723**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contributions	$ 258,857	$ 829,500	$ 1,088,357	$ 262,345	$ 855,210	$ 1,117,555
Government grants and contracts	1,409,535	-	1,409,535	1,219,345	-	1,219,345
Contract fees	397,568	-	397,568	371,538	-	371,538
Interest and other income	30,956	-	30,956	(6,807)	-	(6,807)
Investment income from beneficial interest in trust	213,196	-	213,196	213,937	-	213,937
Change in fair value of beneficial interest in trust	-	(112,398)	(112,398)	-	210,461	210,461
Total revenue and support	2,310,112	717,102	3,027,214	2,060,358	1,065,671	3,126,029
Net assets released from restrictions	1,007,649	(1,007,649)	-	908,486	(908,486)	-
Total revenue, support, and net assets released from restrictions	3,317,761	(290,547)	3,027,214	2,968,844	157,185	3,126,029
Expenses						
Program services	2,957,352	-	2,957,352	2,730,630	-	2,730,630
Support services:						
General and administrative	610,946	-	610,946	511,514	-	511,514
Fundraising	237,639	-	237,639	141,039	-	141,039
Total expenses	3,805,937	-	3,805,937	3,383,183	-	3,383,183
(Decrease) Increase in Net Assets	(488,176)	(290,547)	(778,723)	(414,339)	157,185	(257,154)
Net Assets - Beginning of year	2,252	6,669,001	6,671,253	416,591	6,511,816	6,928,407
Net Assets (Deficit) - End of year	**$ (485,924)**	**$ 6,378,454**	**$ 5,892,530**	**$ 2,252**	**$ 6,669,001**	**$ 6,671,253**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	Support Services: General and Administrative	Support Services: Fundraising	Support Services: Total	Total
Salaries	$ 1,078,324	$ 389,694	$ 129,151	$ 518,845	$ 1,597,169
Payroll taxes and benefits	213,812	77,420	25,658	103,078	316,890
Total salaries and related expenses	1,292,136	467,114	154,809	621,923	1,914,059
Consultants	101,858	-	-	-	101,858
Rent and utilities	111,061	40,214	13,328	53,542	164,603
Information technology	52,434	18,878	6,256	25,134	77,568
Equipment	1,258	4,569	1,514	6,083	7,341
Depreciation	17,794	6,442	2,137	8,579	26,373
Organizational insurance	12,952	4,690	1,554	6,244	19,196
Communications	7,644	3,918	43,097	47,015	54,659
Office expenses	6,713	1,777	3,045	4,822	11,535
Legal/Accounting	-	52,545	-	52,545	52,545
Meetings/Conferences	9,842	1,993	7,199	9,192	19,034
Travel	21,205	1,962	3,492	5,454	26,659
Training	4,568	1,417	1,700	3,117	7,685
Bank and other fees	-	6,912	-	6,912	6,912
Miscellaneous	(3,897)	(1,485)	(492)	(1,977)	(5,874)
Contractor fees and other project expenses	1,321,784	-	-	-	1,321,784
Total functional expenses	**$ 2,957,352**	**$ 610,946**	**$ 237,639**	**$ 848,585**	**$ 3,805,937**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services	Support Services: General and Administrative	Support Services: Fundraising	Support Services: Total	Total
Salaries	$ 1,080,816	$ 325,368	$ 84,968	$ 410,336	$ 1,491,152
Payroll taxes and benefits	234,050	70,459	18,401	88,860	322,910
Total salaries and related expenses	1,314,866	395,827	103,369	499,196	1,814,062
Consultants	124,795	-	-	-	124,795
Rent and utilities	115,592	34,798	9,087	43,885	159,477
Scholarships and grants	-	2,182	570	2,752	2,752
Information technology	60,259	14,627	3,820	18,447	78,706
Equipment	4,375	1,317	344	1,661	6,036
Depreciation	13,902	5,260	1,374	6,634	20,536
Organizational insurance	11,803	3,553	928	4,481	16,284
Communications	9,937	2,946	12,684	15,630	25,567
Office expenses	10,771	2,878	1,135	4,013	14,784
Legal/Accounting	-	36,713	-	36,713	36,713
Meetings/Conferences	19,819	4,330	4,064	8,394	28,213
Travel	31,311	6,325	5,297	11,622	42,933
Training	3,469	964	252	1,216	4,685
Bank and other fees	-	7,011	-	7,011	7,011
Miscellaneous	(23,719)	(7,217)	(1,885)	(9,102)	(32,821)
Contractor fees and other project expenses	1,033,450	-	-	-	1,033,450
Total functional expenses	**$ 2,730,630**	**$ 511,514**	**$ 141,039**	**$ 652,553**	**$ 3,383,183**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Decrease in net assets	$ (778,723)	$ (257,154)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Depreciation	26,373	20,536
Change in value of beneficial interest in trust	112,398	(210,461)
Changes in operating assets and liabilities that provided (used) cash:		
Grants and miscellaneous receivables	221,773	(7,740)
Note receivable	-	(28,417)
Due from GLRSF, LLC	300,702	1,644
Prepaid expenses and other current assets	(19,649)	(6,842)
Accounts payable and accrued liabilities	(27,977)	255,845
Revolving loan fund - Cook County, Illinois	(7,890)	(39,013)
Net cash and cash equivalents used in operating activities	(172,993)	(271,602)
Cash Flows Used in Investing Activities - Purchases of furniture, equipment, and leasehold improvements	(17,368)	(18,996)
Cash Flows Used in Financing Activities - Payments on long-term debt	-	(21,000)
Net Decrease in Cash and Cash Equivalents	(190,361)	(311,598)
Cash and Cash Equivalents - Beginning of year	728,867	1,040,465
Cash and Cash Equivalents - End of year	**$ 538,506**	**$ 728,867**

See notes to consolidated financial statements.

Note 1 - Nature of Business

Delta Institute (Delta) is chartered as an Illinois not-for-profit corporation and began operations on July 1, 1998. Delta collaborates with communities to solve complex environmental challenges across the Midwest.

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 predevelopment 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.

Note 2 - Significant Accounting Policies

Principles of Consolidation

Through June 30, 2019, Delta had economic interest in and exercises control over the activities of REDI. Delta owns 100 percent of P2/E2 and Revere. Accordingly, the 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, 2019 and 2018. The consolidated entity is referred to as the "Organization."

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 consolidated statement of financial position as beneficial interest in trust and is classified as net assets with donor restrictions.

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 based on the presence or absence of donor-imposed restrictions.

Note 2 - Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

Revenue and Cost Recognition

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.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. Expenses are charged to program services and support services on an actual basis when available. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Expenses deemed to be indirect to employee work, such as professional services, are considered to be management and general expenses. Other expenses utilized by all employees, such as occupancy, utilities, and supplies, are also allocated on the basis of time and effort. 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 appropriate, other methods could be used that would produce different amounts.

Note 2 - Significant Accounting Policies (Continued)

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.

Federal Income Taxes

Delta and REDI are exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. P2/E2 and Revere are disregarded for tax purposes and are included in Delta's tax return. Delta and REDI have both been classified as other than private foundations by the Internal Revenue Service.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including January 6, 2020, which is the date the consolidated financial statements were available to be issued.

Adoption of New Accounting Principle

As of July 1, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The Organization's net assets for the year ended June 30, 2018 have been restated under these new net asset classes. The ASU also requires changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. The Organization's revised allocation methodology under the ASU resulted in a reduction of approximately $26,000 and $4,000 in program services expense and fundraising expense, respectively, and an increase of approximately $30,000 to general and administrative expense. All applicable changes to the reporting model have been incorporated into the Organization's consolidated financial statements. The standard was implemented retrospectively.

Upcoming Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization has analyzed revenue streams that will be impacted and believes the pattern of revenue recognition will not change upon adoption of the pronouncement. The Organization does expect to have expanded disclosures as a result of the new standard.

Note 2 - Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Organization’s consolidated financial statements, as a result of the lease for its office space, which is classified as an operating lease. The Organization is currently determining the quantitative effect of applying the new lease guidance on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization’s year ending June 30, 2020 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for grants and contracts.

Note 3 - Liquidity and Availability of Resources

The Organization has $1,327,716 and $1,739,850 of financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents of $538,506 and $728,867 and grants and miscellaneous receivables of $789,210 and $1,010,983 at June 30, 2019 and 2018, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date, as the donor purpose restrictions are expected to be released within one year. The receivables are subject to implied time restrictions but are expected to be collected within one year.

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $316,000 and $282,000 at June 30, 2019 and 2018, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 4 - 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.

During the years ended June 30, 2019 and 2018, REDI earned management fees amounting to approximately $23,000 and $46,000, respectively, from GLRSF. Fees and interest due from GLRSF at June 30, 2019 and 2018 amounted to $0 and $300,702, respectively. In addition, REDI has a loan receivable from GLRSF amounting to $689,407 at June 30, 2019 and 2018. The loan was issued as part of a lead poisoning prevention program funded through a grant from the City of Chicago, Illinois. The loan bore interest at 2.5 to 3.5 percent per annum, and payments of interest only were due monthly until its maturity in 2017. The loan receivable is mirrored by a forgivable loan in the amount of $689,407 from the City of Chicago, Illinois. Under the terms of the grant agreement, the principal of both loans will be forgiven in like amounts if all monthly payments of interest were paid through and including the maturity dates upon close out of the program.

Note 5 - 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 residences. Loans were made for home purchases within the neighborhood and community surrounding the Revere school in Chicago, Illinois.

Each eligible homebuyer 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 was to be forgiven beginning in the 5th year of the agreement through the 10th year of the agreement.

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 agreed to use any such repayment for philanthropic reuse within the Revere community.

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 notes receivable - Revere Housing Program, while grants received from Comer to fund the loans are reported as a liability under deferred contribution liability. The liability was amortized to income as the notes were forgiven.

During the year ended June 30, 2018, portions of certain loans amounting to $348,329 were forgiven in accordance with the agreement. This amount was recognized as both 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 year ended June 30, 2018. As of June 30, 2018, all loans were forgiven, and Comer closed out the program.

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018	Depreciable Life - Years
Machinery and equipment - Cost	$ 4,689	$ 4,689	5
Furniture and fixtures - Cost	208,883	194,348	5
Leasehold improvements - Cost	55,940	55,940	Lease term
Total cost	269,512	254,977	
Accumulated depreciation	199,376	175,836	
Net property and equipment	$ 70,136	$ 79,141	

Depreciation expense for 2019 and 2018 was $26,373 and $20,536, respectively.

Note 7 - Net Assets

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2019	2018
Subject to expenditures for a specified purpose:		
Regenerative Food Systems - Artisan Grain Collaborative	$ 325,174	$ 309,631
Regenerative Food Systems - Pasture	124,906	-
Resilient Communities - Coal	1,042	55,525
Resilient Communities - Knight Cities	68,669	94,135
Resilient Communities - IMD/Crown	58,244	268,661
Land Stewardship - Grand Victoria Foundation	138,989	119,268
Land Stewardship - Walton & McKnight Foundations	124,880	122,732
Other	3,894	3,995
Total subject to expenditures for a specified purpose	845,798	973,947
Subject to the passage of time	-	50,000
Beneficial interest in trust	5,532,656	5,645,054
Total	$ 6,378,454	$ 6,669,001

Note 8 - Lease Commitments

Delta Office Lease

During October 2011, Delta entered into a lease agreement for office space commencing on 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, 2019 and 2018 amounted to $14,550 and $17,668, respectively, which is included in accrued liabilities on the consolidated statement of financial position.

Note 8 - Lease Commitments

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

2020	$	149,660
2021		149,660
2022		149,660
2023		149,660
2024		99,773
Total	$	698,413

Rent expense for the years ended June 30, 2019 and 2018 amounted to $164,603 and $159,477, respectively.

Note 9 - 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. Delta also contributes 1 percent of eligible compensation if the employee contributes at least 1 percent of eligible compensation. Total organization contributions charged to retirement costs in 2019 and 2018 were $59,965 and $54,347, respectively.

Note 10 - Note Payable

The notes payable at June 30, 2019 and 2018 consist of the following:

	2019	2018
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. As of the report date, the bank has not indicated intentions to call or forgive the note. Accrued interest on the note payable amounted to $111,895 and $96,895 as of June 30, 2019 and 2018, respectively	$ 500,000	$ 500,000

Note 11 - 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 12 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated 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 measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation 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.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	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, 2019
Beneficial interest in trust	$ -	$ -	$ 5,532,656	$ 5,532,656

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
	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, 2018
Beneficial interest in trust	$ -	$ -	$ 5,645,054	$ 5,645,054

The fair value of beneficial interest in trust at June 30, 2019 and 2018 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 Chicago Community Trust, are recognized in the period in which they occur.

Note 12 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2019 and 2018 are as follows:

	Beneficial Interest in Trust
Balance at June 30, 2018	$ 5,645,054
Total unrealized losses	(112,398)
Balance at June 30, 2019	$ 5,532,656
Balance at June 30, 2017	$ 5,434,593
Total unrealized gains	210,461
Balance at June 30, 2018	$ 5,645,054

The unrealized (losses) gains of $(112,398) and $210,461 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 and have issued our report thereon dated January 6, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2019 consolidated financial statements as a whole. The consolidating statements of financial position and activities and changes in net assets (deficit) are presented for the purpose of additional analysis rather than to present the financial position, results of operations, functional expenses, and cash flows of the individual organizations 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

January 6, 2020

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Consolidating Statement of Financial Position

June 30, 2019

(with comparative totals for 2018)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Total 2019	Total 2018
Assets					
Current Assets					
Cash and cash equivalents	$ 417,410	$ 112,877	$ 8,219	$ 538,506	$ 728,867
Grants and miscellaneous receivables	787,978	532	700	789,210	1,010,983
Note receivable	105,917	-	-	105,917	105,917
Due from GLRSF, LLC	-	999	-	999	301,701
Prepaid expenses and other current assets	101,302	-	-	101,302	81,653
Total current assets	1,412,607	114,408	8,919	1,535,934	2,229,121
Other Assets - Loan receivable - GLRSF, LLC	-	689,407	-	689,407	689,407
Property and Equipment - Net	70,136	-	-	70,136	79,141
Beneficial Interest in Trust	5,532,656	-	-	5,532,656	5,645,054
Total assets	**$ 7,015,399**	**$ 803,815**	**$ 8,919**	**$ 7,828,133**	**$ 8,642,723**

Consolidating Statement of Financial Position (Continued)

June 30, 2019

(with comparative totals for 2018)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Total 2019	Total 2018
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	$ 331,263	$ 25,687	$ -	$ 356,950	$ 397,078
Accrued liabilities	98,415	4,637	111,895	214,947	202,796
Notes payable	-	-	500,000	500,000	500,000
Total current liabilities	429,678	30,324	611,895	1,071,897	1,099,874
Long-term Liabilities					
Revolving loan fund - Cook County, Illinois	174,299	-	-	174,299	182,189
Forgivable loan	-	689,407	-	689,407	689,407
Total long-term liabilities	174,299	689,407	-	863,706	871,596
Total liabilities	603,977	719,731	611,895	1,935,603	1,971,470
Net Assets					
Without donor restrictions	32,968	84,084	(602,976)	(485,924)	2,252
With donor restrictions	6,378,454	-	-	6,378,454	6,669,001
Total net assets	6,411,422	84,084	(602,976)	5,892,530	6,671,253
Total liabilities and net assets	**$ 7,015,399**	**$ 803,815**	**$ 8,919**	**$ 7,828,133**	**$ 8,642,723**

Consolidating Statement of Activities and Changes in Net Assets (Deficit)

Year Ended June 30, 2019
(with comparative totals for 2018)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Total 2019	Total 2018
Changes in Net Assets without Donor Restrictions					
Revenue and support:					
Contributions	$ 258,857	$ -	$ -	$ 258,857	$ 262,345
Government grants and contracts	1,409,535	-	-	1,409,535	1,219,345
Contract fees	373,925	22,943	700	397,568	371,538
Interest and other income	314,321	(283,365)	-	30,956	(6,807)
Investment income from beneficial interest in trust	213,196	-	-	213,196	213,937
Total revenue and support	2,569,834	(260,422)	700	2,310,112	2,060,358
Net assets released from restrictions	1,007,649	-	-	1,007,649	908,486
Total revenue, support, and net assets released from restrictions	3,577,483	(260,422)	700	3,317,761	2,968,844
Expenses:					
Program services	2,849,181	101,390	6,781	2,957,352	2,730,630
Support services:					
General and administrative	610,946	-	-	610,946	511,514
Fundraising	237,639	-	-	237,639	141,039
Total expenses	3,697,766	101,390	6,781	3,805,937	3,383,183
Decrease in Net Assets without Donor Restrictions	(120,283)	(361,812)	(6,081)	(488,176)	(414,339)
Changes in Net Assets with Donor Restrictions					
Contributions	829,500	-	-	829,500	855,210
Change in fair value of beneficial interest in trust	(112,398)	-	-	(112,398)	210,461
Net assets released from restrictions	(1,007,649)	-	-	(1,007,649)	(908,486)
(Decrease) Increase in Net Assets with Donor Restrictions	(290,547)	-	-	(290,547)	157,185
Decrease in Net Assets	**$ (410,830)**	**$ (361,812)**	**$ (6,081)**	**$ (778,723)**	**$ (257,154)**