Delta Institute and Affiliates

Consolidated Financial Report
with Supplemental Information
June 30, 2018

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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, 2018 and 2017 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.

Opinions

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, 2018 and 2017 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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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 17, 2019 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

January 17, 2019

Consolidated Statement of Financial Position

June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 728,867	$ 1,040,465
Grants and miscellaneous receivables	1,010,983	1,003,243
Note receivable	105,917	77,500
Due from GLRSF, LLC (Note 3)	301,701	303,345
Prepaid expenses and other current assets	81,653	74,811
Total current assets	2,229,121	2,499,364
Other Assets		
Notes receivable - Revere Housing Program (Note 4)	-	348,329
Loan receivable - GLRSF, LLC (Note 3)	689,407	689,407
Total other assets	689,407	1,037,736
Beneficial Interest in Trust (Note 12)	5,645,054	5,434,593
Property and Equipment - Net (Note 5)	79,141	80,681
Total assets	**$ 8,642,723**	**$ 9,052,374**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 397,078	$ 143,831
Accrued liabilities	199,467	196,869
Deferred revenue (Note 6)	3,329	3,329
Current portion of notes payable (Note 10)	500,000	500,000
Deposits	-	21,000
Total current liabilities	1,099,874	865,029
Long-term Liabilities		
Deferred contribution liability (Note 4)	-	348,329
Revolving loan fund - Cook County	182,189	221,202
Forgivable loan (Note 3)	689,407	689,407
Total liabilities	1,971,470	2,123,967
Net Assets		
Unrestricted	2,252	416,591
Temporarily restricted	1,023,947	1,077,223
Permanently restricted	5,645,054	5,434,593
Total net assets	6,671,253	6,928,407
Total liabilities and net assets	**$ 8,642,723**	**$ 9,052,374**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Contributions	$ 262,345	$ 855,210	$ -	$ 1,117,555	$ 253,685	$ 1,000,797	$ -	$ 1,254,482
Government grants and contracts	1,219,345	-	-	1,219,345	520,006	-	-	520,006
Contract fees	325,525	-	-	325,525	1,078,071	-	-	1,078,071
Fees for service revenue	46,013	-	-	46,013	103,313	-	-	103,313
Interest and other income	(6,807)	-	-	(6,807)	22,482	-	-	22,482
Investment income from beneficial interest in trust	213,937	-	-	213,937	204,162	-	-	204,162
Change in fair value of beneficial interest in trust	-	-	210,461	210,461	-	-	393,363	393,363
Total revenue and support	2,060,358	855,210	210,461	3,126,029	2,181,719	1,000,797	393,363	3,575,879
Net assets released from restrictions	908,486	(908,486)	-	-	993,835	(993,835)	-	-
Total revenue, support, and net assets released from restrictions	2,968,844	(53,276)	210,461	3,126,029	3,175,554	6,962	393,363	3,575,879
Expenses								
Program	2,756,292	-	-	2,756,292	2,644,512	-	-	2,644,512
Support services:								
General and administrative	482,113	-	-	482,113	609,983	-	-	609,983
Fundraising	144,778	-	-	144,778	66,095	-	-	66,095
Total expenses	3,383,183	-	-	3,383,183	3,320,590	-	-	3,320,590
(Decrease) Increase in Net Assets	(414,339)	(53,276)	210,461	(257,154)	(145,036)	6,962	393,363	255,289
Net Assets - Beginning of year	416,591	1,077,223	5,434,593	6,928,407	561,627	1,070,261	5,041,230	6,673,118
Net Assets - End of year	**$ 2,252**	**$ 1,023,947**	**$ 5,645,054**	**$ 6,671,253**	**$ 416,591**	**$ 1,077,223**	**$ 5,434,593**	**$ 6,928,407**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018
(with comparative totals for 2017)

		Support Services			Total	
	Program Services	Fundraising	General and Administrative	Total	2018	2017
Salaries	$ 1,080,816	$ 84,968	$ 325,368	$ 410,336	$ 1,491,152	$ 1,267,292
Payroll taxes and benefits	234,050	18,401	70,459	88,860	322,910	275,297
Total salaries and related expenses	1,314,866	103,369	395,827	499,196	1,814,062	1,542,589
Revere program note forgiveness	-	-	-	-	-	708,336
Consultants	118,689	1,264	4,842	6,106	124,795	129,843
Rent and utilities	115,592	9,087	34,798	43,885	159,477	156,646
Scholarships and grants	-	570	2,182	2,752	2,752	3,001
Information technology	60,259	3,820	14,627	18,447	78,706	43,809
Equipment	4,375	344	1,317	1,661	6,036	22,783
Depreciation	13,902	1,374	5,260	6,634	20,536	32,318
Organizational insurance	11,803	928	3,553	4,481	16,284	19,909
Communications	9,937	12,684	2,946	15,630	25,567	14,289
Office expenses	10,771	1,135	2,878	4,013	14,784	18,856
Legal/Accounting	26,610	2,092	8,011	10,103	36,713	39,800
Meetings/Conferences	19,819	4,064	4,330	8,394	28,213	31,964
Travel	31,311	5,297	6,325	11,622	42,933	85,186
Training	3,469	252	964	1,216	4,685	1,654
Bank and other fees	5,158	383	1,470	1,853	7,011	5,571
Miscellaneous	(23,719)	(1,885)	(7,217)	(9,102)	(32,821)	10,396
Other project expenses	1,033,450	-	-	-	1,033,450	435,937
Bad debt expense	-	-	-	-	-	17,703
Total functional expenses	**$ 2,756,292**	**$ 144,778**	**$ 482,113**	**$ 626,891**	**$ 3,383,183**	**$ 3,320,590**

Consolidated Statement of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (257,154)	$ 255,289
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	20,536	32,319
Change in value of beneficial interest in trust	(210,461)	(393,363)
Bad debt expense	-	17,703
Changes in operating assets and liabilities that (used) provided cash:		
Grants and miscellaneous receivables	(7,740)	(151,690)
Note receivable	(28,417)	31,000
Due from GLRSF, LLC	1,644	(24,814)
Prepaid expenses and other current assets	(6,842)	(3,857)
Accounts payable and accrued liabilities	255,845	18,816
Deferred revenue	-	(18,614)
Revolving loan fund - Cook County	(39,013)	-
Net cash used in operating activities	(271,602)	(237,211)
Cash Flows Used in Investing Activities - Purchases of furniture, equipment, and leasehold improvements	(18,996)	(35,090)
Cash Flows Used in Financing Activities - Payments on long-term debt	(21,000)	-
Net Decrease in Cash and Cash Equivalents	(311,598)	(272,301)
Cash and Cash Equivalents - Beginning of year	1,040,465	1,312,766
Cash and Cash Equivalents - End of year	**$ 728,867**	**$ 1,040,465**

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, 2018, 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, 2018 and 2017. 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 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.

Note 2 - Significant Accounting Policies (Continued)

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted, unless specifically restricted by the donor or by applicable state law.

Revenue and Cost 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.

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 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 generally accepted accounting principles 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 on Delta's tax return. Delta and REDI have both been classified as other than a private foundation by the Internal Revenue Service.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including January 17, 2019, which is the date the consolidated financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (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 begun analyzing revenue streams that will be impacted and believes the pattern of revenue recognition could change upon adoption of the pronouncement. The Organization does expect to have expanded disclosures as a result of the new standard.

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, 2021 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 August 2016, the FASB issued 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 ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization’s year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. Management expects an impact to the classification of net assets; an increase in disclosures about liquidity, including qualitative and quantitative information; and enhanced disclosures of the Organization's allocation method for functional classification of expenses.

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update 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 government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Note 3 - 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, 2018 and 2017, REDI earned management fees amounting to approximately $46,000 and $103,000, respectively, from GLRSF. Fees and interest due from GLRSF at June 30, 2018 and 2017 amounted to $300,702 and $302,346, respectively. In addition, REDI has a loan receivable from GLRSF amounting to $689,407 at June 30, 2018 and 2017. The loan was issued as part of a lead poisoning prevention program funded through a grant from the City of Chicago, Illinois. The loan bears interest at 2.5 to 3.5 percent per annum, and payments of interest only are due monthly. Interest income related to this loan amounted to $21,779 for the year ended June 30, 2017. There was no interest income for the year ended June 30, 2018. 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 are paid through and including the maturity dates.

Note 4 - 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 based on the following schedule:

	$80,000 Note	$50,000 Note
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 agreed to use any such repayment for philanthropic reuse within the Revere community.

Note 4 - 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." The liability was amortized to income as the notes were forgiven.

During the years ended June 30, 2018 and 2017, portions of certain loans amounting to $348,329 and $708,336, respectively, were forgiven in accordance with the agreement. These amounts were recognized as both expenses, 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, 2018 and 2017. As of June 30, 2018, all loans were forgiven, and Comer closed out the program.

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2018	2017	Depreciable Life - Years
Machinery and equipment - Cost	$ 4,689	$ 4,689	5
Furniture and fixtures - Cost	194,348	181,151	5
Leasehold improvements - Cost	55,940	55,940	Lease term
Total cost	254,977	241,780	
Accumulated depreciation	175,836	161,099	
Net property and equipment	$ 79,141	$ 80,681	

Depreciation expense for 2018 and 2017 was $20,536 and $32,319, respectively.

Note 6 - Unearned Revenue and Advances

Unearned revenue and advances at June 30, 2018 and 2017 consist of the following:

	2018	2017
ERS	$ 3,229	$ 3,229
WattTime	100	100
Total	$ 3,329	$ 3,329

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, 2018 and 2017. The remaining advance amount was used to fund program expenditures.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 and 2017 are purpose restricted for the following:

	2018	2017
Purpose restrictions:		
Regenerative Food Systems - Artisan Grain Collaborative	$ 309,631	$ 174,638
DeltaLumin	-	36,230
Resilient Communities - Coal	55,525	14,903
Resilient Communities - Knight Cities	94,135	220,437
Resilient Communities - IMD	268,661	554,536
Land Stewardship - Grand Victoria Foundation	119,268	-
Land Stewardship - Walton & McKnight Foundations	122,732	-
Other	3,995	26,479
Time restrictions	50,000	50,000
Total temporarily restricted net assets	$ 1,023,947	$ 1,077,223

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, 2018 and 2017 amounted to $17,668 and $20,786, respectively, which is included in accrued liabilities on the consolidated statement of financial position.

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

	Delta Office
2019	$ 149,660
2020	149,660
2021	149,660
2022	149,660
2023	149,660
Thereafter	99,773
Total	$ 848,073

Rent expense for the years ended June 30, 2018 and 2017 amounted to $159,477 and $156,646, 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. Total organization contributions charged to retirement costs in 2018 and 2017 were $54,347 and $43,814, respectively.

Note 10 - Note Payable

Notes payable at June 30, 2018 and 2017 consist of the following:

	2018	2017
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 $96,895 and $81,895 as of June 30, 2018 and 2017, 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, 2018 and 2017 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.

Note 12 - Fair Value Measurements (Continued)

	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

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2017			
	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, 2017
Beneficial interest in trust	$ -	$ -	$ 5,434,593	$ 5,434,593

The fair value of beneficial interest in trust at June 30, 2018 and 2017 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.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2018 and 2017 are as follows:

	Beneficial Interest in Trust
Balance at June 30, 2017	$ 5,434,593
Total unrealized gains	210,461
Balance at June 30, 2018	$ 5,645,054

	Beneficial Interest in Trust
Balance at June 30, 2016	$ 5,041,230
Total unrealized gains	393,363
Balance at June 30, 2017	$ 5,434,593

The unrealized gains of $210,461 and $393,363 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 and have issued our report thereon dated January 17, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2018 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, 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 17, 2019

PRAXITY™ Empowering Business Globally

Consolidating Statement of Financial Position

June 30, 2018

(with comparative totals for 2017)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Delta Revere Program, LLC	Total 2018	Total 2017
Assets						
Current Assets						
Cash and cash equivalents	$ 542,177	$ 186,690	$ -	$ -	$ 728,867	$ 1,040,465
Grants and miscellaneous receivables	1,010,450	533	-	-	1,010,983	1,003,243
Note receivable	105,917	-	-	-	105,917	77,500
Due from GLRSF, LLC	-	301,701	-	-	301,701	303,345
Prepaid expenses and other current assets	81,653	-	-	-	81,653	74,811
Total current assets	1,740,197	488,924	-	-	2,229,121	2,499,364
Other Assets						
Notes receivable - Revere Housing Program	-	-	-	-	-	348,329
Loan receivable - GLRSF, LLC	-	689,407	-	-	689,407	689,407
Total other assets	-	689,407	-	-	689,407	1,037,736
Beneficial Interest in Trust - Net	5,645,054	-	-	-	5,645,054	5,434,593
Property and Equipment - Net	79,141	-	-	-	79,141	80,681
Total assets	**$ 7,464,392**	**$ 1,178,331**	**$ -**	**$ -**	**$ 8,642,723**	**$ 9,052,374**

Consolidating Statement of Financial Position (Continued)

June 30, 2018

(with comparative totals for 2017)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Delta Revere Program, LLC	Total 2018	Total 2017
Liabilities and Net Assets (Deficit)						
Current Liabilities						
Accounts payable	$ 358,687	$ 38,391	$ -	$ -	$ 397,078	$ 143,831
Accrued liabilities	97,935	4,637	96,895	-	199,467	196,869
Deferred revenue	3,329	-	-	-	3,329	3,329
Current portion of notes payable	-	-	500,000	-	500,000	500,000
Deposits	-	-	-	-	-	21,000
Total current liabilities	459,951	43,028	596,895	-	1,099,874	865,029
Long-term Liabilities						
Deferred contribution liability	-	-	-	-	-	348,329
Revolving loan fund - Cook County	182,189	-	-	-	182,189	221,202
Forgivable loan	-	689,407	-	-	689,407	689,407
Total liabilities	642,140	732,435	596,895	-	1,971,470	2,123,967
Net Assets (Deficit)						
Unrestricted	153,251	445,896	(596,895)	-	2,252	416,591
Temporarily restricted	1,023,947	-	-	-	1,023,947	1,077,223
Permanently restricted	5,645,054	-	-	-	5,645,054	5,434,593
Total net assets (deficit)	6,822,252	445,896	(596,895)	-	6,671,253	6,928,407
Total liabilities and net assets (deficit)	**$ 7,464,392**	**$ 1,178,331**	**$ -**	**$ -**	**$ 8,642,723**	**$ 9,052,374**

Statement of Activities and Changes in Net Assets (Deficit)

Year Ended June 30, 2018
(with comparative totals for 2017)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Delta Revere Program, LLC	Total 2018	Total 2017
Changes in Unrestricted Net Assets						
Revenue and support:						
Contributions	$ 262,345	$ -	$ -	$ -	$ 262,345	$ 253,685
Government grants and contracts	1,219,345	-	-	-	1,219,345	520,006
Contract fees	325,525	-	-	-	325,525	1,078,071
Fees for service revenue	-	46,013	-	-	46,013	103,313
Interest and other income	453	(7,260)	-	-	(6,807)	22,482
Investment income from beneficial interest in trust	213,937	-	-	-	213,937	204,162
Total revenue and support	2,021,605	38,753	-	-	2,060,358	2,181,719
Net assets released from restrictions	908,486	-	-	-	908,486	993,835
Total revenue, support, and net assets released from restrictions	2,930,091	38,753	-	-	2,968,844	3,175,554
Expenses:						
Program	2,640,386	101,408	15,000	(502)	2,756,292	2,644,512
Support services:						
General and administrative	482,113	-	-	-	482,113	609,983
Fundraising	144,778	-	-	-	144,778	66,095
Total expenses	3,267,277	101,408	15,000	(502)	3,383,183	3,320,590
(Decrease) Increase in Unrestricted Net Assets	(337,186)	(62,655)	(15,000)	502	(414,339)	(145,036)
Changes in Temporarily Restricted Net Assets						
Contributions	855,210	-	-	-	855,210	1,000,797
Net assets released from restrictions	(908,486)	-	-	-	(908,486)	(993,835)
(Decrease) Increase in Temporarily Restricted Net Assets	(53,276)	-	-	-	(53,276)	6,962
Changes in Permanently Restricted Net Assets	210,461	-	-	-	210,461	393,363
(Decrease) Increase in Net Assets	**$ (180,001)**	**$ (62,655)**	**$ (15,000)**	**$ 502**	**$ (257,154)**	**$ 255,289**

See notes to consolidated financial statements.