Delta Institute and Affiliates

Consolidated Financial Report
with Supplemental Information
June 30, 2020

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, 2020 and 2019 and the related consolidated statements of activities and changes in net assets (deficiency 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, 2020 and 2019 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 Matters

As described in Note 2 to the consolidated financial statements, uncertainty exists surrounding the COVID-19 pandemic. Our opinion is not modified with respect to this matter.

As described in Note 2 to the consolidated financial statements, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

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 December 9, 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

December 9, 2020

Consolidated Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 571,355	$ 538,506
Grants and miscellaneous receivables	762,012	789,210
Note receivable	-	105,917
Prepaid expenses and other current assets	160,746	102,301
Total current assets	1,494,113	1,535,934
Other Assets - Loan receivable - GLRSF (Note 4)	-	689,407
Property and Equipment - Net (Note 5)	46,210	70,136
Beneficial Interest in Trust	5,327,805	5,532,656
Total assets	**$ 6,868,128**	**$ 7,828,133**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 144,500	$ 356,950
Accrued liabilities	194,306	214,947
Note payable (Note 9)	500,000	500,000
Total current liabilities	838,806	1,071,897
Long-term Liabilities		
Paycheck Protection Program loan (Note 10)	427,972	-
Revolving loan fund - Cook County, Illinois	174,299	174,299
Forgivable loan (Note 4)	-	689,407
Total liabilities	1,441,077	1,935,603
Net Assets		
Without donor restrictions	(514,574)	(485,924)
With donor restrictions	5,941,625	6,378,454
Total net assets	5,427,051	5,892,530
Total liabilities and net assets	**$ 6,868,128**	**$ 7,828,133**

See notes to consolidated financial statements.

Delta Institute and Affiliates

Consolidated Statement of Activities and Changes in Net Assets (Deficiency in Net Assets)

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contributions	$ 449,927	$ 729,000	$ 1,178,927	$ 258,857	$ 829,500	$ 1,088,357
Government grants	945,941	-	945,941	1,409,535	-	1,409,535
Contract fees	464,382	-	464,382	397,568	-	397,568
Interest and other income	43,491	-	43,491	30,956	-	30,956
Investment income from beneficial interest in trust	218,420	-	218,420	213,196	-	213,196
Change in fair value of beneficial interest in trust	-	(204,851)	(204,851)	-	(112,398)	(112,398)
Total revenue and support	2,122,161	524,149	2,646,310	2,310,112	717,102	3,027,214
Net Assets Released From Restrictions	960,978	(960,978)	-	1,007,649	(1,007,649)	-
Total revenue, support, and net assets released from restrictions	3,083,139	(436,829)	2,646,310	3,317,761	(290,547)	3,027,214
Expenses						
Program services	2,247,362	-	2,247,362	2,957,352	-	2,957,352
Support services:						
General and administrative	618,775	-	618,775	610,946	-	610,946
Fundraising	245,652	-	245,652	237,639	-	237,639
Total expenses	3,111,789	-	3,111,789	3,805,937	-	3,805,937
Decrease in Net Assets	(28,650)	(436,829)	(465,479)	(488,176)	(290,547)	(778,723)
(Deficiency in Net Assets) - Beginning of year	(485,924)	6,378,454	5,892,530	2,252	6,669,001	6,671,253
(Deficiency in Net Assets) - End of year	**$ (514,574)**	**$ 5,941,625**	**$ 5,427,051**	**$ (485,924)**	**$ 6,378,454**	**$ 5,892,530**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Support Services: General and Administrative	Support Services: Fundraising	Support Services: Total	Total
Salaries	$ 718,624	$ 326,324	$ 135,613	$ 461,937	$ 1,180,561
Payroll taxes and benefits	120,575	54,753	22,754	77,507	198,082
Total salaries and related expenses	839,199	381,077	158,367	539,444	1,378,643
Consultants	17,359	-	-	-	17,359
Rent and utilities	103,922	47,191	19,611	66,802	170,724
Information technology	43,390	19,577	16,346	35,923	79,313
Equipment	9,689	4,400	1,828	6,228	15,917
Depreciation	13,520	6,139	2,551	8,690	22,210
Organizational insurance	12,216	5,547	2,305	7,852	20,068
Communications	-	-	18,022	18,022	18,022
Office expenses	7,327	3,280	3,022	6,302	13,629
Legal/Accounting	-	45,692	-	45,692	45,692
Meetings/Conferences	4,233	1,886	2,288	4,174	8,407
Travel	10,739	4,210	3,707	7,917	18,656
Training	6,644	3,017	1,254	4,271	10,915
Bank and other fees	5,167	2,339	972	3,311	8,478
Miscellaneous	44,760	63,675	15,379	79,054	123,814
Contractor fees and other project expenses	1,129,197	-	-	-	1,129,197
Bad debt expense	-	30,745	-	30,745	30,745
Total functional expenses	**$ 2,247,362**	**$ 618,775**	**$ 245,652**	**$ 864,427**	**$ 3,111,789**

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 Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Decrease in net assets	$ (465,479)	$ (778,723)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Depreciation	21,532	26,373
Change in value of beneficial interest in trust	204,851	112,398
Bad debt expense	30,744	-
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Grants and miscellaneous receivables	(3,546)	221,773
Note receivable	105,917	-
Due from GLRSF	-	300,702
Prepaid expenses and other current assets	(58,445)	(19,649)
Accounts payable and accrued liabilities	(233,091)	(27,977)
Revolving loan fund - Cook County, Illinois	-	(7,890)
Net cash and cash equivalents used in operating activities	(397,517)	(172,993)
Cash Flows from Investing Activities - Purchases of furniture, equipment, and leasehold improvements		
Purchases of furniture, equipment, and leasehold improvements	-	(17,368)
Proceeds from disposition of property and equipment	2,394	-
Net cash and cash equivalents provided by (used in) investing activities	2,394	(17,368)
Cash Flows Provided by Financing Activities - Proceeds from Paycheck Protection Program loan		
Proceeds from debt	427,972	-
Net cash and cash equivalents provided by (used in) financing activities	427,972	-
Net Increase (Decrease) in Cash and Cash Equivalents	32,849	(190,361)
Cash and Cash Equivalents - Beginning of year	538,506	728,867
Cash and Cash Equivalents - End of year	**$ 571,355**	**$ 538,506**

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 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, 2020, 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, 2020 and 2019. 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.

Receivables

Receivables are grants due to the Organization and are valued at management's estimate of the amount that will ultimately be collected. An allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Organization's historical collection experience. No allowance was deemed necessary at June 30, 2020 and 2019.

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.

Note 2 - Significant Accounting Policies (Continued)

Paycheck Protection Program Loan

Funding received under the Paycheck Protection Program (PPP) is from a lending institution and has the potential to be forgiven in part or in whole by the Small Business Administration (SBA). The proceeds from the loan, therefore, remain recorded as a liability until either (1) the loan is, in part or in whole, forgiven and the Organization has been legally released or (2) the Organization pays off the loan to the creditor. Once the loan is, in part or in whole, forgiven and the legal release is received, the liability is reduced by the amount forgiven, and a gain on extinguishment is recorded.

As such, the total proceeds received from the loan are recorded as a liability on the consolidated statement of financial position and included in proceeds received from financing activities in the consolidated statement of cash flows as of June 30, 2020. See Note 10 for additional information on the terms and conditions of the PPP agreement.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

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 (deficiency in net assets) as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the contributions are received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

Grant Revenue

Grant revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met. As of June 30, 2020, the Organization is eligible to receive and recognize $1,065,086 of these conditional contributions upon the occurrence of future qualifying expenses. Grant funding received in advance of conditions being met is recorded as refundable advances.

Contract Fees

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

Note 2 - Significant Accounting Policies (Continued)

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 require 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 program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

In response to the pandemic declaration, the Organization closed its office at the end of business on Friday, March 13, 2020. As of the issue date of these consolidated financial statements, the Organization has reopened with limited capacity. COVID-19 has delayed the timing of some projects and programs, which are expected to continue in fiscal year 2021. Revenue for these projects and programs will be recognized in fiscal year 2021.

No impairments were recorded as of the consolidated statement of financial position date; however, due to uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization’s future results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including December 9, 2020, which is the date the consolidated financial statements were available to be issued.

On July 12, 2020, the Organization entered into a loan agreement with the SBA for working capital. The new loan for $150,000 has a maturity of July 2050 and bears interest at 2.75 percent. The loan is secured by substantially all the Organization's assets. Payments of principal plus interest will begin in July 2021.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Principle

As of July 1, 2019, the Organization adopted FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): 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 Organization adopted the ASU on a modified prospective basis. The adoption of this ASU resulted in the recognition of government grants revenue as the conditions of the grants are met. The adoption of the ASU did not result in a restatement of the 2019 financial information, as there was no change in the timing of revenue recognition.

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, 2021. 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 for contracts with one performance obligation may 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-of-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, 2023 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 an 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.

Note 3 - Liquidity and Availability of Resources

The Organization has $1,333,367 and $1,327,716 of financial assets available within one year of June 30, 2020 and 2019 to meet cash needs for general expenditure consisting of cash and cash equivalents of $571,355 and $538,506 and grants and miscellaneous receivables of $762,012 and $789,210, 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 $260,000 and $210,000 at June 30, 2020 and 2019, 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 not deemed to 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. GLRSF continued to have negative equity at June 30, 2020 and 2019.

During the year ended June 30, 2019, REDI earned management fees amounting to approximately $23,000 from GLRSF. There were no management fees for the year ended June 30, 2020. In addition, a loan receivable from GLRSF amounting to $689,407 that was mirrored by a forgivable loan in the amount of $689,407 from the City of Chicago, Illinois as of June 30, 2019 was forgiven in 2020. 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. GLRSF was closed out in 2018, and all activity concluded in September 2019.

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Machinery and equipment	$ 4,689	$ 4,689	5
Furniture and fixtures	212,894	208,883	5
Leasehold improvements	55,940	55,940	Lease term
Total cost	273,523	269,512	
Accumulated depreciation	227,313	199,376	
Net property and equipment	$ 46,210	$ 70,136	

Depreciation expense for 2020 and 2019 was $21,532 and $26,373, respectively.

Note 6 - Net Assets

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

	2020	2019
Subject to expenditures for a specified purpose:		
Regenerative Food Systems - Artisan Grain Collaborative	$ -	$ 325,174
Regenerative Food Systems - Pasture	99,530	124,906
Resilient Communities - Coal	-	1,042
Resilient Communities - Knight Cities	25,399	68,669
Resilient Communities - IMD/Crown	-	58,244
Resilient Communities - Port	199,855	-
Land Stewardship - Grand Victoria Foundation	25,417	138,989
Land Stewardship - Walton & McKnight Foundations	181,826	124,880
Land Stewardship - Erb Foundation	84,783	-
Other	-	3,894
Total subject to expenditures for a specified purpose	616,810	845,798
Beneficial interest in trust	5,327,805	5,532,656
Total	$ 5,944,615	$ 6,378,454

Note 7 - 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, 2020 and 2019 amounted to $11,432 and $14,550, 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:

2021	$ 149,660
2022	149,660
2023	149,660
2024	99,773
Total	$ 548,753

Rent expense for the years ended June 30, 2020 and 2019 amounted to $170,724 and $164,603, respectively.

Note 8 - Retirement Plan

Delta offers a 401(k) plan to all employees meeting the eligibility requirements 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 2020 and 2019 were $44,873 and $59,965, respectively.

Note 9 - Note Payable

The note payable at June 30, 2020 and 2019 consists of the following:

	2020	2019
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 $126,895 and $111,895 as of June 30, 2020 and 2019, respectively	$ 500,000	$ 500,000

Note 10 - Paycheck Protection Program Loan

On April 24, 2020, the Organization received a Paycheck Protection Program term loan through one of its lending institutions of $427,972. The loan was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's PPP. The note structure required organization officials to certify certain statements that permitted the Organization to qualify for the loan and provides loan forgiveness for a portion or all of the borrowed amount if the Organization uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will be required to be paid back by the Organization in full by April 2022 in equal monthly principal payments plus interest at 1.00 percent beginning six months after the lending institution receives the approved loan forgiveness funds from the SBA. The Organization has the right to repay any amount outstanding at any time without penalty. This loan helped the Organization fund payroll and benefits, as well as core indirect expenses.

Note 11 - Concentration of Credit Risk

The Organization has concentrated its credit risk for cash by maintaining deposits in financial institutions that 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.

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.

Note 12 - Fair Value Measurements (Continued)

In instances where 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:

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the Organization to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	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, 2020
Beneficial interest in trust	$ -	$ -	$ 5,327,805	$ 5,327,805

	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

The fair value of beneficial interest in trust at June 30, 2020 and 2019 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, 2020 and 2019 are as follows:

	Beneficial Interest in Trust
Balance at June 30, 2019	$ 5,532,656
Total unrealized losses	(204,851)
Balance at June 30, 2020	$ 5,327,805
Balance at June 30, 2018	$ 5,645,054
Total unrealized losses	(112,398)
Balance at June 30, 2019	$ 5,532,656

Note 12 - Fair Value Measurements (Continued)

The unrealized losses of $204,851 and $112,398 for the years ended June 30, 2020 and 2019, respectively, are reported as the change in fair value of beneficial interest in trust on the consolidated statement of activities and changes in net assets (deficiency 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, 2020 and 2019 and have issued our report thereon dated December 9, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2020 consolidated financial statements as a whole. The consolidating statements of financial position and activities and changes in net assets (deficiency in net assets) 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

December 9, 2020

Consolidating Statement of Financial Position

June 30, 2020

(with comparative totals for 2019)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Total 2020	Total 2019
Assets					
Current Assets					
Cash and cash equivalents	$ 470,313	$ 101,042	$ -	$ 571,355	$ 538,506
Grants and miscellaneous receivables	757,208	4,104	700	762,012	789,210
Note receivable	-	-	-	-	105,917
Prepaid expenses and other current assets	160,746	-	-	160,746	102,301
Total current assets	1,388,267	105,146	700	1,494,113	1,535,934
Other Assets - Loan receivable - GLRSF	-	-	-	-	689,407
Property and Equipment - Net	46,210	-	-	46,210	70,136
Beneficial Interest in Trust	5,327,805	-	-	5,327,805	5,532,656
Total assets	**$ 6,762,282**	**$ 105,146**	**$ 700**	**$ 6,868,128**	**$ 7,828,133**

Consolidating Statement of Financial Position (Continued)

June 30, 2020

(with comparative totals for 2019)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Total 2020	Total 2019
Liabilities and Net Assets (Deficiency in Net Assets)					
Current Liabilities					
Accounts payable	$ 144,500	$ -	$ -	$ 144,500	$ 356,950
Accrued liabilities	67,411	-	126,895	194,306	214,947
Note payable	-	-	500,000	500,000	500,000
Total current liabilities	211,911	-	626,895	838,806	1,071,897
Long-term Liabilities					
Paycheck Protection Program loan	427,972	-	-	427,972	-
Revolving loan fund - Cook County, Illinois	174,299	-	-	174,299	174,299
Forgivable loan	-	-	-	-	689,407
Total long-term liabilities	602,271	-	-	602,271	863,706
Total liabilities	814,182	-	626,895	1,441,077	1,935,603
Net Assets (Deficiency in Net Assets)					
Without donor restrictions	6,475	105,146	(626,195)	(514,574)	(485,924)
With donor restrictions	5,941,625	-	-	5,941,625	6,378,454
Total net assets (deficiency in net assets)	5,948,100	105,146	(626,195)	5,427,051	5,892,530
Total liabilities and net assets (deficiency in net assets)	**$ 6,762,282**	**$ 105,146**	**$ 700**	**$ 6,868,128**	**$ 7,828,133**

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

Year Ended June 30, 2020
(with comparative totals for 2019)

	Delta Institute	Delta Redevelopment Institute	Delta P2E2 Center, LLC	Total 2020	Total 2019
Changes in Net Assets without Donor Restrictions					
Revenue and support:					
Contributions	$ 449,927	$ -	$ -	$ 449,927	$ 258,857
Government grants	945,941	-	-	945,941	1,409,535
Contract fees	463,682	-	700	464,382	397,568
Interest and other income	3,221	40,270	-	43,491	30,956
Investment income from beneficial interest in trust	218,420	-	-	218,420	213,196
Total revenue and support	2,081,191	40,270	700	2,122,161	2,310,112
Net Assets Released from Restrictions	960,978	-	-	960,978	1,007,649
Total revenue, support, and net assets released from restrictions	3,042,169	40,270	700	3,083,139	3,317,761
Expenses:					
Program services	2,204,235	19,208	23,919	2,247,362	2,957,352
Support services:					
General and administrative	618,775	-	-	618,775	610,946
Fundraising	245,652	-	-	245,652	237,639
Total expenses	3,068,662	19,208	23,919	3,111,789	3,805,937
(Decrease) Increase in Net Assets without Donor Restrictions	(26,493)	21,062	(23,219)	(28,650)	(488,176)
Changes in Net Assets with Donor Restrictions					
Contributions	729,000	-	-	729,000	829,500
Change in fair value of beneficial interest in trust	(204,851)	-	-	(204,851)	(112,398)
Net assets released from restrictions	(960,978)	-	-	(960,978)	(1,007,649)
Decrease in Net Assets with Donor Restrictions	(436,829)	-	-	(436,829)	(290,547)
(Decrease) Increase in Net Assets	$ (463,322)	$ 21,062	$ (23,219)	$ (465,479)	$ (778,723)