



Financial Statements
with Independent Auditors' Report
June 30, 2019

Delta Properties Inc. and Subsidiaries

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

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JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Delta Properties Inc. and Subsidiaries
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Delta Properties Inc. (Delta) (A California Nonprofit Public Benefit Corporation) and Subsidiaries, which are comprised of the consolidated statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Delta'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 Delta'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 as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Delta's consolidated financial statement report dated December 18, 2018, in which we expressed an unmodified opinion. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Prior Period Financial Statements

The financial statements of Delta as of June 30, 2018, were audited by other auditors who joined Eide Bailly LLP on July 22, 2019, and whose report dated January 11, 2019, expressed an unmodified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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 supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Rancho Cucamonga, California
January 22, 2020



FINANCIAL STATEMENTS

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2018)

JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 590,035	\$ 350,242
Restricted cash and investments	16,746,804	4,234,896
Accounts receivable	170,328	-
Accounts receivable - related party	820,877	505,671
Prepaid expenses	46,172	-
Total Current Assets	<u>18,374,216</u>	<u>5,090,809</u>
Non-Current Assets:		
Restricted cash and investments	6,845,924	3,769,643
Note receivable - related party	4,760,475	1,886,667
Debt issue costs, net	3,886,740	2,525,299
Property and equipment	86,446,421	62,563,331
Less: accumulated depreciation	12,299,296	10,321,493
Total Non-Current Assets	<u>89,640,264</u>	<u>60,423,447</u>
Total Assets	<u>\$ 108,014,480</u>	<u>\$ 65,514,256</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	3,960	55,182
Accounts payable - related party	575,396	432,379
Interest payable	2,050,303	1,068,828
Deferred revenue	183,756	347,303
Current portion of long-term obligations	695,000	17,585,261
Total Current Liabilities	<u>3,508,415</u>	<u>19,488,953</u>
Long-Term Obligations:		
Non-current portion of long-term obligations	97,445,256	42,298,786
Total Long-Term Obligations	<u>97,445,256</u>	<u>42,298,786</u>
Total Liabilities	<u>100,953,671</u>	<u>61,787,739</u>
NET ASSETS		
Without donor restriction	7,060,809	3,726,517
Total Net Assets	<u>7,060,809</u>	<u>3,726,517</u>
Total Liabilities and Net Assets	<u>\$ 108,014,480</u>	<u>\$ 65,514,256</u>

The accompanying notes are an integral part of these financial statements.

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

CONSOLIDATED STATEMENT OF ACTIVITIES
(With comparative financial information for the year ended June 30, 2018)

FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTION		
REVENUE		
Donated services - related party	\$ -	\$ 79,384
Rental income	4,496,484	3,581,976
Interest income	599,983	74,954
Other income (Note 11)	570,242	662,071
Other income	5,057,652	89,960
Total Revenues and Support	<u>10,724,361</u>	<u>4,488,345</u>
EXPENSE		
Program Services:		
Interest	4,726,207	3,053,639
Other expenses	197,406	77,603
Management and General:		
Operating expenses	223,468	115,292
Total Expenses Before Depreciation and Amortization	<u>5,147,081</u>	<u>3,246,534</u>
Change In Net Assets Before Depreciation and Amortization	5,577,280	1,241,811
Depreciation	1,977,803	1,405,634
Amortization	265,185	109,139
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	3,334,292	(272,962)
NET ASSETS, BEGINNING OF THE YEAR	<u>3,726,517</u>	<u>3,999,479</u>
NET ASSETS, END OF YEAR	<u>\$ 7,060,809</u>	<u>\$ 3,726,517</u>

The accompanying notes are an integral part of these financial statements.

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

CONSOLIDATED STATEMENT OF CASH FLOWS
(With comparative financial information for the year ended June 30, 2018)

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,334,292	\$ (272,962)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,977,803	1,405,634
Amortization (including bond discount)	265,185	109,139
Amounts restricted for interest/debt obligation stipulations	(15,588,189)	2,672,659
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	(170,328)	-
Accounts receivable - related party	(315,206)	1,061,030
Prepaid expenses	(46,172)	32,760
Increase (decrease) in operating liabilities:		
Accounts payable and accruals	(51,222)	(686,179)
Accounts payable - related party	143,017	(102,426)
Accrued interest payable	981,475	(12,515)
Deferred revenue	(163,547)	56,822
Net Cash Provided (Used) by Operating Activities	(9,632,892)	4,263,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(23,883,090)	(3,804,555)
Issuance of note receivable - related party	(4,760,475)	525,000
Repayment of note receivable	1,886,667	
Net Cash Used by Investing Activities	(26,756,898)	(3,279,555)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts incurred for debt issuance, net	(1,620,438)	-
Proceeds from debt including premium, net	60,495,983	-
Repayments of notes payable, net	(21,446,516)	(1,289,787)
Repayments of bonds payable, net	(799,446)	(644,697)
Net Cash Provided (Used) by Financing Activities	36,629,583	(1,934,484)
NET CHANGE IN CASH AND CASH EQUIVALENTS	239,793	(950,077)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	350,242	1,300,319
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 590,035	\$ 350,242
Supplemental Cash Flow Information		
Cash paid during the period for interest	\$ 3,738,544	\$ 3,066,156

The accompanying notes are an integral part of these financial statements.

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Delta Properties, Inc. (Delta) was formed in 2008 as a nonprofit public benefit corporation to support Green Dot Public Schools California (GDPS CA), formerly known as Green Dot Public Schools. Together with its subsidiaries, 111th Place, LLC, 8255 Beach, LLC, 12628 S. Avalon, LLC, Manchester & 27th, LLC, 1655 27th Street Facilities, 8205 Beach, LLC, 810 East 111th, LLC, 12700 S. Avalon, LLC, and 11044 S. Freeman, LLC. On August 29, 2018, DPI East 111th Place, LLC, changed its name to 810 E. 111th, LLC. Delta's primary purpose is the financing, development, leasing and maintenance of certain school facilities for the exclusive use of GDPS CA. GDPS CA represents a related party and transactions between GDPS CA and Delta have been identified on the face of the financial statements.

Related Party

Delta, a California nonprofit public benefit corporation, was formed to support GDPS CA. GDPS CA is the sole member of Delta.

Green Dot Public School National (GDPS National) is a national organization providing finance and accounting services to Delta and other related entities. In exchange, Delta pays service fees to GDPS National. During the year ended June 30, 2019, Delta paid service fees of \$150,000 to GDPS National.

	Services Expense - GDPS NA
Delta	<u>\$ 150,000</u>

Principles of Consolidation

The consolidated financial statements include the accounts of Delta and its wholly owned subsidiary single member limited liability companies: 111th Place, LLC, 8255 Beach, LLC, 12628 S. Avalon, LLC, Manchester & 27th, LLC, 1655 27th Street Facilities, 8205 Beach, LLC, 810 East 111th, LLC, 12700 S. Avalon, LLC, and 11044 S. Freeman, LLC. All significant intracompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as Delta. See the supplementary schedules on pages 25 and 28 for supplemental consolidating statements.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the Unified States of America (GAAP). Accordingly, such information should be read in conjunction with Delta's audited financial statements for the year ending June 30, 2018, from which summarized information was derived.

Cash and Cash Equivalents

Delta considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, management has determined all accounts receivable are fully collectible and no allowance for bad debts has been established.

Property and Equipment

It is Delta's policy to capitalize individual property and equipment purchases over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

Delta reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Delta reports contributions restricted by donors as increases in net assets 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

Designated net Assets Without Donor Restriction

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. Delta had no designated net assets at June 30, 2019.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Delta records special events revenue equal to the cost of direct benefits to donors, and contribution income for the difference.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been presented according to the natural classification detail of expenses by function in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements, are allocated on the basis of estimates of time and effort.

The financial statements report categories of expenses that are attributed to program service activities or supporting service activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes

Delta is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as a public charity described in Section 509(a)(1) Type 1 supporting organizations and is exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Subsidiaries 111th, Beach and Avalon qualify for exemption from the California state LLC fee under California Revenue and Taxation Code Section 23701(x). Subsidiaries Manchester, 27th Street, and DPI qualify for exemption from the California state LLC fee under California Revenue and Taxation Code Section 23701(h). Accordingly, no provision for income taxes has been made. Delta files informational returns in the U.S. Federal jurisdiction, and the State of California. The statute of limitations for Federal and California State purposes is generally three and four years, respectively.

Delta has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Delta management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

Recent Accounting Pronouncements

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing 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*. The amendments in the update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

The ASU is effective for Delta for the year ended June 30, 2020. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

As of July 1, 2018, Delta adopted the provisions of Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-For-Profit Entities. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for Delta's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from Delta's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess Delta's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. Delta has elected not to present comparative information for these amendments.

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

Delta has adopted this standard as management believes the standard improves the usefulness and understandability of Delta's financial reporting.

Adjustments Resulting from Change in Accounting Policy

As disclosed above, Delta adopted the provisions of ASU 2016-14, Presentation of Financial Statements for Not-For-Profit Entities as of June 30, 2019. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in Delta's June 30, 2018, and June 30, 2017, net assets.

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Net Assets, July 1, 2017			
Unrestricted	\$ 3,999,479	\$ (3,999,479)	\$ -
Net assets without donor restrictions	-	3,999,479	3,999,479
	<u>\$ 3,999,479</u>	<u>\$ -</u>	<u>\$ 3,999,479</u>
Net Assets, June 30, 2018			
Unrestricted	\$ 3,726,517	\$ (3,726,517)	\$ -
Net assets without donor restrictions	-	3,726,517	3,726,517
	<u>\$ 3,726,517</u>	<u>\$ -</u>	<u>\$ 3,726,517</u>

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

Financial Assets:	
Cash and cash equivalents	\$ 590,035
Accounts receivable	170,328
Prepaid and other assets	46,172
Financial Assets, at year-end	<u>806,535</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 806,535</u>

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - CONCENTRATION OF CREDIT RISK:

Delta maintains deposit and money market accounts with several financial institutions. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash in these deposit accounts exceeds the insured limits. At June 30, 2019, Delta had \$487,038 in excess of FDIC insured limits. Delta has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. Money market accounts are not protected against loss however; Delta's money market accounts are held in AAA rated investments. At June 30, 2019, there was \$23,592,728 held in money market funds.

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments arise from conditions required by the various financing arrangements. Financial statement classification is based on whether the restricted cash and investments are held to satisfy current or long-term obligations. Restricted investments consist of money market funds which are carried at fair value in accordance with current accounting guidance. Restricted cash and investment balance consist of the following at June 30, 2019, and 2018:

2019						
	111th Place, LLC	Avalon LLC	Manchester & 27th, LLC	1655 27th Street Facilities,	Delta	Total
Restricted cash and investments						
Current	\$ 596,866	\$ -	\$ 432,525	\$ 123	\$ 15,717,290	\$ 16,746,804
Noncurrent	-	2,038,709	774,052	-	4,033,163	6,845,924
Total	<u>\$ 596,866</u>	<u>\$ 2,038,709</u>	<u>\$ 1,206,577</u>	<u>\$ 123</u>	<u>\$ 19,750,453</u>	<u>\$ 23,592,728</u>
2018						
	111th Place, LLC	Avalon LLC	Manchester & 27th, LLC	1655 27th Street Facilities,	Delta	Total
Restricted cash and investments						
Current	\$ 1,424,581	\$ -	\$ 414,190	\$ 1,087,995	\$ 1,308,130	\$ 4,234,896
Noncurrent	-	-	765,296	744,163	2,260,184	3,769,643
Total	<u>\$ 1,424,581</u>	<u>\$ -</u>	<u>\$ 1,179,486</u>	<u>\$ 1,832,158</u>	<u>\$ 3,568,314</u>	<u>\$ 8,004,539</u>

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2019, and 2018:

	2019			Total
	111th Place, LLC	Manchester & 27th, LLC	1655 27th Street Facilities,	
Local sources	\$ 2,769	\$ 17,559	\$ 150,000	\$ 170,328

NOTE 6 - ACCOUNTS RECEIVABLE – RELATED PARTY

Accounts receivable – related party consist of the following at June 30, 2019, and 2018:

	2019						Total
	111th Place, LLC	8255 Beach, LLC	12628 S. Avalon, LLC	1655 27th Street Facilities,	810 East 111th, LLC,	Delta	
GDPS CA	-	10,800	10,800	80,000	225,000	494,277	820,877

	2018						Total
	111th Place, LLC	8255 Beach, LLC	12628 S. Avalon, LLC	1655 27th Street Facilities,	810 East 111th, LLC,	Delta	
GDPS CA	\$ 10,274	\$ 10,274	\$ 10,274	\$ 246,516	\$ 228,333	\$ -	\$ 505,671

NOTE 7 - NOTE RECEIVABLE – RELATED PARTY

On September 29, 2015, GDPS CA entered into a loan agreement with DPI for the benefit of Ánimo James B. Taylor Charter Middle School. 810 East 111th, LLC, agreed to lend the principal sum of \$3,320,000 with no accrued interest on the principal sum outstanding with a maturity date of August 1, 2022. Monthly principal payments of \$45,000 are payable to 810 East 111th, LLC, commenced on October 25, 2015. As of June 30, 2019, no remaining balance was outstanding.

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

On October 1, 2018, GDPS CA entered into a loan agreement with 11044 S. Freeman LLC for the purpose of building a gym for the use by Ánimo Leadership Charter High School. 11044 S. Freeman LLC agreed to lend the principal sum of \$4,760,475 with accrued interest on the principal sum outstanding with a maturity date of June 25, 2048. A portion of the principal was used to pay an allocated share of all costs of issuance of the bonds and other expenses. Interest only payments were made through June 30, 2019. Principal payments for the loan commence July 25, 2019, and change annually, but are approximately \$26,195 per month. As of June 30, 2019, the remaining balance outstanding was \$4,760,475.

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019, and 2018:

	2019								
	111th Place, LLC	8255 Beach, LLC	12628 S. Avalon, LLC	Manchester & 27th, LLC	1655 27th Street Facilities, LLC	810 East 111th, LLC	8205 Beach, LLC	12700 S. Avalon, LLC	Total
Land	\$ 4,286,305	\$ 5,179,000	\$ 1,894,806	\$ 1,956,419	\$ 5,098,030	\$ 1,380,000	\$ -	\$ 1,706,321	\$ 21,500,881
Construction in progress	18,848	-	-	-	-	74,824	6,959,357	-	7,053,029
Buildings and improvements	8,557,689	6,500,000	6,821,301	4,480,135	17,710,098	6,561,924	-	6,825,286	57,456,433
Equipment	-	-	-	436,078	-	-	-	-	436,078
Subtotal	12,862,842	11,679,000	8,716,107	6,872,632	22,808,128	8,016,748	6,959,357	8,531,607	86,446,421
Less: accumulated depreciation	(1,049,436)	(2,220,834)	(2,160,079)	(1,832,745)	(4,575,109)	(290,461)	-	(170,632)	(12,299,296)
Total	\$ 11,813,406	\$ 9,458,166	\$ 6,556,028	\$ 5,039,887	\$ 18,233,019	\$ 7,726,287	\$ 6,959,357	\$ 8,360,975	\$ 74,147,125

	2018								
	111th Place, LLC	8255 Beach, LLC	12628 S. Avalon, LLC	Manchester & 27th, LLC	1655 27th Street Facilities, LLC	810 East 111th, LLC	8205 Beach, LLC	12700 S. Avalon, LLC	Total
Land	\$ 4,286,305	\$ 5,179,000	\$ 1,894,806	\$ 1,956,419	\$ 5,098,030	\$ -	\$ -	\$ -	\$ 18,414,560
Construction in progress	147,314	-	-	-	-	-	-	-	147,314
Buildings and improvements	8,053,845	6,500,000	6,821,301	4,480,135	17,710,098	-	-	-	43,565,379
Equipment	-	-	-	436,078	-	-	-	-	436,078
Subtotal	12,487,464	11,679,000	8,716,107	6,872,632	22,808,128	-	-	-	62,563,331
Less: accumulated depreciation	(741,630)	(2,004,167)	(1,932,702)	(1,658,222)	(3,984,772)	-	-	-	(10,321,493)
Total	\$ 11,745,834	\$ 9,674,833	\$ 6,783,405	\$ 5,214,410	\$ 18,823,356	\$ -	\$ -	\$ -	\$ 52,241,838

DELTA PROPERTIES INC. AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals balance consist of the following at June 30, 2019, and 2018:

		2019				
		111th Place, LLC	8255 Beach, LLC	12628 S. Avalon, LLC	Delta	Total
Accruals		\$ -	\$ -	\$ -	\$ 3,960	\$ 3,960

		2018				
		111th Place, LLC	8255 Beach, LLC	12628 S. Avalon, LLC	Delta	Total
Accruals		\$ 27,699	\$ 13,648	\$ 13,795	\$ 40	\$ 55,182

NOTE 10 - ACCOUNTS PAYABLE – RELATED PARTY

Accounts payable – related party balance consist of the following at June 30, 2019, and 2018:

		2019							
		111th Place, LLC	Manchester & 27th, LLC	1655 27th Street Facilities,	810 East 111th, LLC	8205 Beach, LLC	Freeman	Delta	Total
GDPS National		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
GDPS CA		91,213	74,403	300	74,824	168,228	16,428	-	425,396
Total Accounts Payable - Related Party		\$ 91,213	\$ 74,403	\$ 300	\$ 74,824	\$ 168,228	\$ 16,428	\$ 150,000	\$ 575,396

		2018							
		111th Place, LLC	Manchester & 27th, LLC	1655 27th Street Facilities,	810 East 111th, LLC	8205 Beach, LLC	Freeman	Delta	Total
GDPS CA		432,379	-	-	-	-	-	-	432,379

DELTA PROPERTIES INC. AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFERRED REVENUE

Deferred revenue balance consists of the following at June 30, 2019, and 2018:

		2019				
		111th Place, LLC	8255 Beach, LLC	Manchester & 27th, LLC	1655 27th Street Facilities,	Total
Other sources	\$	107,049	76,707	-	-	\$ 183,756

		2018				
		111th Place, LLC	8255 Beach, LLC	Manchester & 27th, LLC	1655 27th Street Facilities,	Total
Other sources	\$	107,049	76,707	56,821	106,726	\$ 347,303

NOTE 12 - NOTES PAYABLE

In September 2011, Delta obtained several new market tax credit loans which totaled \$21,200,000. Proceeds from the loans were to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities. The loans maturity dates range from October 12, 2018, through October 12, 2041, and yielded interest ranging from 4.27 to 4.82 percent. On October 18, 2018, Delta issued School Facility Revenue Bonds to pay off the outstanding portion of the loans. At June 30, 2019, there was no remaining balance outstanding.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - BONDS PAYABLE

Charter Revenue Bonds Series 2011A and 2011B

In July 2011, Manchester obtained bond financing through the California Statewide Community Development Authority. Details of these bonds are as follows:

Issuance	Description	Interest Rate	Maturity Date	Optional Redemption	Payment Terms	Balance June 30, 2019
Series 2011 A-1 & Series 2011 A-2	Tax exempt bond issues at an underwriter's discount utilized to acquire school facilities for use by GDPS CA. Issuance secured by deed of trust on those school facilities.	6.90-7.25%	8/1/31-8/1/41	8/1/2021	Bond 1: Beginning February 1, 2012, interest coupon payments due semi-annually on February and August 1. Bond principal payments due annually August 1, beginning August 1, 2018. Bond 2: Beginning February 1, 2012, interest coupon payments due semi-annually on February and August 1. Bond principal payments due annually August 1, beginning August 1, 2032.	
						\$ 7,545,000
					Subtotal Series 2011 A	<u>\$ 7,545,000</u>
					Less: unamortized discount	(104,248)
					Subtotal Series 2011	<u><u>\$ 7,440,752</u></u>

The bond agreement requires Manchester to comply with various covenants, conditions and restrictions including maintaining certain financial ratios. Manchester is required to maintain a bond reserve cash account in an amount equal to the lesser: of (a) ten percent of the proceeds of the bonds; (b) maximum annual debt service with respect to the Series 2011A and Series 2011B bonds outstanding; or (c) 125 percent of average annual debt service with respect to the bonds. As of June 30, 2019, the reserve requirement amounted to \$761,450 and is reported as restricted cash and investments on the statement of financial position.

Costs associated with the issuance of these bonds payable have been capitalized as debt issue costs. These costs are amortized over the term of the notes. Amortization of the issuance costs for the year ended June 30, 2019, amounted to \$23,769.

Bonds payable are reported on the balance sheet net of a \$104,248 bond discount. The discount is being amortized to interest expense over the life of the bonds. The amortized bond discount charged to interest expense for the year ended June 30, 2019, was \$6,188.

DELTA PROPERTIES INC. AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - BONDS PAYABLE, continued

School Facility Revenue Bonds Series 2015A and 2015B

Due diligence was performed by Standard & Poor's and an investment grade rating of BBB- was assigned to GDPS CA. The bonds were priced on September 14, 2015 at a 4.6 percent weighted interest rate on a par amount of \$31,105,000. The bond transaction closed on September 29, 2015. Details of these bonds are as follows:

Issuance	Description	Interest Rate	Maturity Date	Optional Redemption	Payment Terms	Balance June 30, 2019
Series 2015 A	Tax-exempt bond issued at an underwriter's discount utilized to acquire, construct, expand, remodel, renovate, improve, furnish and equip school facilities for use by GDPS CA. Issuance secured by deed of trust on those school facilities.	4.00-4.70%	8/1/25-8/1/45	N/A	Beginning February 1, 2016, interest coupon payments due semi-annually on February 1 and August 1. Bond principal payments due annually August 1, beginning August 1, 2023.	\$ 26,710,000
					Subtotal Series 2015 A	<u>\$ 26,710,000</u>
Series 2015 B	Taxable bond issued at an underwriter's discount utilized to acquire, construct, expand, remodel, renovate, improve, furnish and equip school facilities for use by GDPS CA. Issuance secured by deed of trust on those school facilities.	5.00%	8/1/23	N/A	Beginning February 1, 2016, interest coupon payments due semi-annually on February 1 and August 1. Bond principal payments due annually August 1, beginning August 1, 2016.	\$ 2,965,000
					Subtotal Series 2015 B	<u>2,965,000</u>
					Plus: Premium	661,992
					Subtotal Series 2015	<u><u>\$ 30,336,992</u></u>

Costs associated with the issuance of these bonds payable have been capitalized as debt issue costs. These costs are amortized over the term of the notes. Amortization of the issuance costs for the year ended June 30, 2019, amounted to \$135,463.

Bonds payable are reported on the balance sheet net of a \$661,992 bond premium. The premium is being amortized to interest expense over the life of the bonds. The amortized premium charged to interest expense for the year ended June 30, 2019, was \$10,975.

With the issuance of bonds in October 2018, Delta reallocated the bond payable for the 2015 series bonds. Bond payable at 810 E. 111th LLC was reduced by \$1,705,000; bond payable at 111th Place LLC was increased by \$568,333; bond payable at 8255 Beach LLC was increased by \$568,333; and bond payable at 12628 S. Avalon LLC was increased by \$568,333.

DELTA PROPERTIES INC. AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - BONDS PAYABLE, continued

School Facility Revenue Bonds Series 2018A and 2018B

Due diligence was performed by Standard & Poor and an investment grade rating of BBB- was assigned to GDPS CA. The bonds were priced on September 27, 2018, at a 4.45 percent weighted interest rate on a par amount of \$56,155,000. The bond transaction closed on October 11, 2018. Details of these bonds are as follows:

Issuance	Description	Interest Rate	Maturity Date	Optional Redemption	Payment Terms	Balance June 30, 2019
Series 2018A	Tax exempt bond issued at an underwriter's discount utilized to acquire, construct, expand, remodel, renovate, improve, furnish and equip school facilities for use by GDPS CA. Issuance secured by deed of trust on those school facilities.	5.00%	08/01/20-08/01/48	N/A	Beginning February 1, 2019, interest coupon payments due semi-annually on February 1 and August 1. Bond principal payments due annually August 1, beginning August 1, 2020.	\$ 55,570,000
					Subtotal Series 2018A	<u>\$ 55,570,000</u>
Series 2018B	Taxable bond issued at an underwriter's discount utilized to acquire, construct, expand, remodel, renovate, improve, furnish and equip school facilities for use by GDPS CA. Issuance secured by deed of trust on those school facilities.	5.00%	8/1/20	N/A	Beginning February 1, 2019, interest coupon payments due semi-annually on February 1 and August 1. Bond principal payment due August 1, 2020.	\$ 585,000
					Subtotal Series 2018B	<u>\$ 585,000</u>
					Plus: Premium	4,207,512
					Subtotal Series 2018	<u>\$ 60,362,512</u>
					Subtotal Series 2011	7,440,752
					Subtotal Series 2015	30,336,992
					Total Bonds Payable	<u><u>\$ 98,140,256</u></u>

Costs associated with the issuance of these bonds payable have been capitalized as debt issue costs. These costs are amortized over the term of the notes. Amortization of the issuance costs for the year ended June 30, 2019, amounted to \$99,765.

Bonds payable are reported on the balance sheet net of a \$4,207,512 bond premium. The premium is being amortized to interest expense over the life of the bonds. The amortized premium charged to interest expense for the year ended June 30, 2019, was \$119,751.

DELTA PROPERTIES INC. AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - BONDS PAYABLE, continued

Future maturities of bonds payable are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	
2020	\$ 695,000
2021	1,630,000
2022	1,715,000
2023	1,810,000
2024	1,900,000
Thereafter	<u>85,625,000</u>
Total future maturities	93,375,000
Plus: unamortized premium	4,869,504
Less: unamortized discount	<u>(104,248)</u>
Total	<u><u>\$ 98,140,256</u></u>

DELTA PROPERTIES INC. AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - OPERATING LEASES REVENUE

Delta's subsidiaries lease property to GDPS CA, a related party, for the operation of charter schools. Each lease requires monthly rent payments based on their respective lease agreements with GDPS CA. Additional rent may also be required based on amounts paid by the lessor for operating and maintaining the facilities.

Rent revenue from GDPS CA for the year ended June 30, 2019, was \$4,496,484. The cost and book value of the leased properties is described in Note 4. Estimated future minimum lease payments are as follows:

Fiscal Year Ending June 30,	111th Place, LLC	8255 Beach, LLC	12628 S. Avalon, LLC	Manchester & 27th, LLC	1655 27th Street Facilities,
2020	\$ 741,227	\$ 662,377	\$ 662,377	\$ 677,448	\$ 1,075,201
2021	741,530	662,680	662,680	677,097	1,075,163
2022	741,331	662,481	662,481	681,057	1,075,858
2023	767,298	648,448	648,448	678,983	995,883
2024	770,062	648,212	648,212	681,218	995,238
Thereafter	16,084,139	13,610,089	13,610,089	11,541,480	23,862,825
Total	<u>\$ 19,845,587</u>	<u>\$ 16,894,287</u>	<u>\$ 16,894,287</u>	<u>\$ 14,937,283</u>	<u>\$ 29,080,168</u>

Fiscal Year Ending June 30,	810 East 111th, LLC	8205 Beach, LLC	12700 S. Avalon, LLC	Total
2020	\$ 607,047	\$ 848,543	\$ 583,637	\$ 5,859,877
2021	607,023	1,222,863	583,615	6,234,672
2022	607,447	1,223,717	584,022	6,240,416
2023	607,463	1,223,748	584,037	6,156,331
2024	607,069	1,222,955	583,659	6,158,649
Thereafter	14,555,696	29,322,799	13,994,385	136,581,502
Total	<u>\$ 17,591,745</u>	<u>\$ 35,064,625</u>	<u>\$ 16,913,355</u>	<u>\$ 167,231,447</u>

DELTA PROPERTIES INC. AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - FINANCIAL INSTRUMENTS:

The carrying amounts and estimated fair values of Delta's financial instruments as of June 30, 2019, are as follows:

	Carrying Amount	Fair Value
Cash and cash equivalents	590,035	\$ 590,035
Restricted cash and investments	23,592,728	\$ 23,592,728
Bonds payable	\$ 93,375,000	\$ 95,616,043

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents - The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Restricted cash and investments - The carrying amount reported in the statement of financial position approximates fair value from quoted prices in active markets for identical assets.

Notes Payable - The fair value of Notes Payable is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Bonds Payable - The fair values of bonds payable are based on quoted market prices for the same issues. The carrying amount reported in the statement of financial position approximates fair value.

Per FASB ASC 825-10-50, Delta must disclose the fair market value of its financial instruments despite being a nonprofit corporation as the entity meets the definition of a "publicly held organization." Delta qualifies as a publicly held organization due to the Manchester Bonds Payable, which makes Delta a conduit bond obligor for conduit debt securities that are traded in a public market. Please note that the holder of the note is not Delta.

NOTE 16 - SUBSEQUENT EVENTS

Delta evaluated their June 30, 2019, consolidated financial statements for subsequent events through January 22, 2020, the date the financial statements were available to be issued. Delta is not aware of any subsequent events, which would require recognition or disclosure in the accompanying financial statements.



SUPPLEMENTARY INFORMATION

DELTA PROPERTIES INC. AND SUBSIDIARIES
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	111th Place LLC	8255 Beach LLC	12628 S. Avalon LLC	Manchester & 27th LLC
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 134,041	\$ 58,059	\$ 45,044	\$ 1,141
Restricted cash and investments	596,866	-	-	432,525
Accounts receivable	2,769	-	-	17,559
Accounts receivable - related party	-	10,800	10,800	-
Inter-company accounts receivable	1,244,651	580,776	527,939	57,736
Prepaid expenses and other assets	-	-	-	-
Total Current Assets	<u>1,978,327</u>	<u>649,635</u>	<u>583,783</u>	<u>508,961</u>
Non-Current Assets:				
Restricted cash and investments	-	-	2,038,709	774,052
Inter-company accounts receivable	-	-	-	-
Note receivable - related party	-	-	-	-
Debt issue costs, net	232,306	413,808	409,562	388,256
Property and equipment	12,862,842	11,679,000	8,716,107	6,872,632
Less: accumulated depreciation	1,049,436	2,220,834	2,160,079	1,832,745
Total Non-Current Assets	<u>12,045,712</u>	<u>9,871,974</u>	<u>9,004,299</u>	<u>6,202,195</u>
Total Assets	<u>\$ 14,024,039</u>	<u>\$ 10,521,609</u>	<u>\$ 9,588,082</u>	<u>\$ 6,711,156</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accruals	\$ -	\$ -	\$ -	\$ -
Accounts payable - related party	91,213	-	-	74,403
Interest payable	225,854	193,000	193,000	268,554
Inter-company accounts payable	-	-	-	73,042
Deferred revenue	107,049	76,707	-	-
Current portion of long-term obligations	123,334	123,333	123,333	140,000
Total Current Liabilities	<u>547,450</u>	<u>393,040</u>	<u>316,333</u>	<u>555,999</u>
Long-Term Obligations:				
Inter-company accounts payable	-	-	-	-
Non-current portion of long-term obligations	11,016,503	9,382,744	9,382,744	7,300,752
Total Long-Term Obligations	<u>11,016,503</u>	<u>9,382,744</u>	<u>9,382,744</u>	<u>7,300,752</u>
Total Liabilities	<u>11,563,953</u>	<u>9,775,784</u>	<u>9,699,077</u>	<u>7,856,751</u>
NET ASSETS				
Without donor restriction	2,460,086	745,825	(110,995)	(1,145,595)
Total Net Assets (Deficit)	<u>2,460,086</u>	<u>745,825</u>	<u>(110,995)</u>	<u>(1,145,595)</u>
Total Liabilities and Net Assets	<u>\$ 14,024,039</u>	<u>\$ 10,521,609</u>	<u>\$ 9,588,082</u>	<u>\$ 6,711,156</u>

See accompanying independent auditor's report.

DELTA PROPERTIES INC. AND SUBSIDIARIES
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	1655 27th St. Facilities LLC	810 East 111th LLC	8205 Beach LLC	12700 S. Avalon LLC
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 227,090	\$ -	\$ 775	\$ 142
Restricted cash and investments	123	-	-	-
Accounts receivable	150,000	-	-	-
Accounts receivable - related party	80,000	225,000	-	-
Inter-company accounts receivable	1,486,329	2,899,269	12,558,918	852,501
Prepaid expenses and other assets	-	46,172	-	-
Total Current Assets	<u>1,943,542</u>	<u>3,170,441</u>	<u>12,559,693</u>	<u>852,643</u>
Non-Current Assets:				
Restricted cash and investments	-	-	-	-
Inter-company accounts receivable	-	-	-	-
Note receivable - related party	-	-	-	-
Debt issue costs, net	1,333,921	269,115	473,281	366,491
Property and equipment	22,808,128	8,016,748	6,959,357	8,531,607
Less: accumulated depreciation	4,575,109	290,461	-	170,632
Total Non-Current Assets	<u>19,566,940</u>	<u>7,995,402</u>	<u>7,432,638</u>	<u>8,727,466</u>
Total Assets	<u>\$ 21,510,482</u>	<u>\$ 11,165,843</u>	<u>\$ 19,992,331</u>	<u>\$ 9,580,109</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accruals	\$ -	\$ -	\$ -	\$ -
Accounts payable - related party	300	74,824	168,228	-
Interest payable	312,598	183,521	391,276	183,323
Inter-company accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Current portion of long-term obligations	-	185,000	-	-
Total Current Liabilities	<u>312,898</u>	<u>443,345</u>	<u>559,504</u>	<u>183,323</u>
Long-Term Obligations:				
Inter-company accounts payable	-	-	-	-
Non-current portion of long-term obligations	16,233,074	9,901,746	19,947,310	9,519,908
Total Long-Term Obligations	<u>16,233,074</u>	<u>9,901,746</u>	<u>19,947,310</u>	<u>9,519,908</u>
Total Liabilities	<u>16,545,972</u>	<u>10,345,091</u>	<u>20,506,814</u>	<u>9,703,231</u>
NET ASSETS				
Without donor restriction	4,964,510	1,219,076	(710,610)	(138,333)
Total Net Assets (Deficit)	<u>4,964,510</u>	<u>1,219,076</u>	<u>(710,610)</u>	<u>(138,333)</u>
Total Liabilities and Net Assets	<u>\$ 21,510,482</u>	<u>\$ 11,564,167</u>	<u>\$ 19,796,204</u>	<u>\$ 9,564,898</u>

See accompanying independent auditor's report.

DELTA PROPERTIES INC. AND SUBSIDIARIES
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	11044 Freman LLC	Delta	Inter-company Eliminations	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 123,743	\$ -	\$ 590,035
Restricted cash and investments	-	15,717,290	-	16,746,804
Accounts receivable	-	-	-	170,328
Accounts receivable - related party	-	494,277	-	820,877
Inter-company accounts receivable	120,210	227,467	(20,555,796)	-
Prepaid expenses and other assets	-	-	-	46,172
Total Current Assets	<u>120,210</u>	<u>16,562,777</u>	<u>(20,555,796)</u>	<u>18,374,216</u>
Non-Current Assets:				
Restricted cash and investments	-	4,033,163	-	6,845,924
Inter-company accounts receivable	-	-	-	-
Note receivable - related party	4,760,475	-	-	4,760,475
Debt issue costs, net	-	-	-	3,886,740
Property and equipment	-	-	-	86,446,421
Less: accumulated depreciation	-	-	-	12,299,296
Total Non-Current Assets	<u>4,760,475</u>	<u>4,033,163</u>	<u>-</u>	<u>89,640,264</u>
Total Assets	<u>\$ 4,880,685</u>	<u>\$ 20,595,940</u>	<u>\$ (20,555,796)</u>	<u>\$ 108,014,480</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accruals	\$ -	\$ 3,960	\$ -	\$ 3,960
Accounts payable - related party	16,428	150,000	-	575,396
Interest payable	99,177	-	-	2,050,303
Inter-company accounts payable	-	20,482,754	(20,555,796)	-
Deferred revenue	-	-	-	183,756
Current portion of long-term obligations	-	-	-	695,000
Total Current Liabilities	<u>115,605</u>	<u>20,636,714</u>	<u>(20,555,796)</u>	<u>3,508,415</u>
Long-Term Obligations:				
Inter-company accounts payable	-	-	-	-
Non-current portion of long-term obligations	4,760,475	-	-	97,445,256
Total Long-Term Obligations	<u>4,760,475</u>	<u>-</u>	<u>-</u>	<u>97,445,256</u>
Total Liabilities	<u>4,876,080</u>	<u>20,636,714</u>	<u>(20,555,796)</u>	<u>100,953,671</u>
NET ASSETS				
Without donor restriction	(182,381)	(40,774)	-	7,060,809
Total Net Assets (Deficit)	<u>(182,381)</u>	<u>(40,774)</u>	<u>-</u>	<u>7,060,809</u>
Total Liabilities and Net Assets	<u>\$ 4,693,699</u>	<u>\$ 20,595,940</u>	<u>\$ (20,555,796)</u>	<u>\$ 108,014,480</u>

See accompanying independent auditor's report.

DELTA PROPERTIES INC. AND SUBSIDIARIES
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CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2019

	111th Place LLC	8255 Beach LLC	12628 S. Avalon LLC	Manchester & 27th LLC
NET ASSETS WITHOUT DONOR RESTRICTION				
REVENUE				
Rental income	\$ 691,580	\$ 612,730	\$ 612,730	\$ 682,099
Interest income	40,441	21,371	16,708	19,670
Other income (Note 11)	570,242	-	-	-
Other income	38,064	27,281	25,145	38,513
Total Revenue and support	<u>1,340,327</u>	<u>661,382</u>	<u>654,583</u>	<u>740,282</u>
EXPENSES				
Program Services:				
Interest	495,440	423,892	423,892	539,389
Other expenses	576,564	578,973	576,690	37,131
Management and general:				
Operating expenses	22,841	21,889	20,752	19,677
Total Expenses Before Depreciation and Amortization	<u>1,094,845</u>	<u>1,024,754</u>	<u>1,021,334</u>	<u>596,197</u>
Change In Net Assets Before Depreciation and Amortization	<u>245,482</u>	<u>(363,372)</u>	<u>(366,751)</u>	<u>144,085</u>
Depreciation	307,806	216,667	227,377	174,523
Amortization	<u>30,096</u>	<u>52,728</u>	<u>52,639</u>	<u>23,769</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	(92,420)	(632,767)	(646,767)	(54,207)
NET ASSETS (DEFICIT), BEGINNING OF THE YEAR	<u>2,552,506</u>	<u>1,378,592</u>	<u>535,772</u>	<u>(1,091,388)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 2,460,086</u>	<u>\$ 745,825</u>	<u>\$ (110,995)</u>	<u>\$ (1,145,595)</u>

DELTA PROPERTIES INC. AND SUBSIDIARIES
(A California Nonprofit Public Benefit Organization)

CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2019

	1655 27th St. Facilities LLC	810 East 111th LLC	8205 Beach LLC	12700 S. Avalon LLC
NET ASSETS WITHOUT DONOR RESTRICTION				
REVENUE				
Rental income	\$ 1,132,291	\$ 396,337	\$ -	\$ 368,717
Interest income	31,800	469,993	-	-
Other income (Note 11)	-	-	-	-
Other income	4,875,320	1,705,000	42,471	4,347
Total Revenue and support	<u>6,039,411</u>	<u>2,571,330</u>	<u>42,471</u>	<u>373,064</u>
EXPENSES				
Program Services:				
Interest	785,514	972,253	622,852	297,257
Other expenses	5,887	26,000	93,751	7,410
Management and general:				
Operating expenses	23,952	53,962	17,387	17,192
Total Expenses Before Depreciation and Amortization	<u>815,353</u>	<u>1,052,215</u>	<u>733,990</u>	<u>321,859</u>
Change In Net Assets Before Depreciation and Amortization	<u>5,224,058</u>	<u>1,519,115</u>	<u>(691,519)</u>	<u>51,205</u>
Depreciation	590,337	290,461	-	170,632
Amortization	<u>57,898</u>	<u>10,058</u>	<u>19,091</u>	<u>18,906</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	4,575,823	1,218,596	(710,610)	(138,333)
NET ASSETS (DEFICIT), BEGINNING OF THE YEAR	<u>388,687</u>	<u>480</u>	<u>-</u>	<u>-</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 4,964,510</u>	<u>\$ 1,219,076</u>	<u>\$ (710,610)</u>	<u>\$ (138,333)</u>

See accompanying independent auditor's report.

DELTA PROPERTIES INC. AND SUBSIDIARIES
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CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2019

	11044 Freman LLC	Delta	Inter-company Eliminations	Total
NET ASSETS WITHOUT DONOR RESTRICTION				
REVENUE				
Rental income	\$ -	\$ -	\$ -	\$ 4,496,484
Interest income	-	-	-	599,983
Other income (Note 11)	-	-	-	570,242
Other income	-	6,511	(1,705,000)	5,057,652
Total Revenue and support	-	6,511	(1,705,000)	10,724,361
EXPENSES				
Program Services:				
Interest	165,718	-	-	4,726,207
Other expenses	-	-	(1,705,000)	197,406
Management and general:				
Operating expenses	16,663	9,153	-	223,468
Total Expenses Before Depreciation and Amortization	182,381	9,153	(1,705,000)	5,147,081
Change In Net Assets Before Depreciation and Amortization	(182,381)	(2,642)	-	5,577,280
Depreciation	-	-	-	1,977,803
Amortization	-	-	-	265,185
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	(182,381)	(2,642)	-	3,334,292
NET ASSETS (DEFICIT), BEGINNING OF THE YEAR	-	(38,132)	-	3,726,517
NET ASSETS (DEFICIT), END OF YEAR	\$ (182,381)	\$ (40,774)	\$ -	\$ 7,060,809