



Consolidated Financial Statements  
Years Ended June 30, 2020 and 2019

# **Landesa**

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**Consolidated Financial Statements**  
Years Ended June 30, 2020 and 2019

# Landesa

## Contents

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<b>Independent Auditor's Report</b>	3-4
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position as of June 30, 2020 and 2019	6
Consolidated Statements of Activities for the Years Ended June 30, 2020 and 2019	7
Consolidated Statements of Functional Expenses for the Years Ended June 30, 2020 and 2019	8
Consolidated Statements of Cash Flows for the Years Ended June 30, 2020 and 2019	9
Notes to Consolidated Financial Statements	10-18



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## **Independent Auditor's Report**

To the Board of Directors  
Landesa  
Seattle, Washington

### ***Report on Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Landesa, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, 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 the 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 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 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 financial statements.

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



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### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landesa as of June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter- Prior Period Financial Statements***

The consolidated financial statements of Landesa as of and for the year ended June 30, 2019, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated November 15, 2019.

*BDO USA, LLP*

January 27, 2021

## **Consolidated Financial Statements**

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# Landesa

## Consolidated Statements of Financial Position

<i>June 30,</i>	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,034,118	\$ 2,815,311
Pledges and grants receivable (Note 3)	3,554,264	2,291,264
Contracts receivable	728,858	906,413
Prepaid expenses, employee advances, and other	259,903	293,915
<b>Total Current Assets</b>	<b>8,577,143</b>	<b>6,306,903</b>
Long-term pledges and grants receivable, less discount (Note 3)	4,170,695	1,052,207
Property and equipment, at cost, less accumulated depreciation (Note 5)	133,195	176,600
Security deposits	97,955	102,806
<b>Total Assets</b>	<b>\$ 12,978,988</b>	<b>\$ 7,638,516</b>
 <b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 303,537	\$ 180,330
Accrued payroll and related expenses	461,584	507,277
Accrued expenses	81,661	45,261
Deferred rent	121,723	52,256
<b>Total Current Liabilities</b>	<b>968,505</b>	<b>785,124</b>
Payroll Protection Program Loan	700,000	-
India Termination Benefits	48,251	49,734
<b>Total Liabilities</b>	<b>1,716,756</b>	<b>834,858</b>
<b>Net Assets</b>		
Without donor restrictions	199,533	923,608
With donor restrictions (Note 7)	11,062,699	5,880,050
<b>Total Net Assets</b>	<b>11,262,232</b>	<b>6,803,658</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 12,978,988</b>	<b>\$ 7,638,516</b>

*See accompanying notes to consolidated financial statements.*

# Landesa

## Consolidated Statements of Activities

Year Ended June 30,	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Grants and contributions	\$ 1,718,976	\$ 10,350,816	\$ 12,069,792	\$ 2,781,382	\$ 7,153,156	\$ 9,934,538
Contract revenue	2,962,507	-	2,962,507	2,539,778	-	2,539,778
In-kind contributions (Note 1)	89,042	-	89,042	84,919	-	84,919
Special events revenue	65,000	-	65,000	177,900	-	177,900
Special events expenses	-	-	-	(77,008)	-	(77,008)
Interest and other revenue	108	-	108	1,539	-	1,539
Net assets released from restrictions	5,168,167	(5,168,167)	-	7,582,944	(7,582,944)	-
<b>Total Support and Revenue</b>	<b>10,003,800</b>	<b>5,182,649</b>	<b>15,186,449</b>	<b>13,091,454</b>	<b>(429,788)</b>	<b>12,661,666</b>
<b>Expenses</b>						
Program	8,023,249	-	8,023,249	10,204,779	-	10,204,779
Management and general	1,744,061	-	1,744,061	1,982,592	-	1,982,592
Fundraising	960,565	-	960,565	1,129,110	-	1,129,110
<b>Total Expenses</b>	<b>10,727,875</b>	<b>-</b>	<b>10,727,875</b>	<b>13,316,481</b>	<b>-</b>	<b>13,316,481</b>
<b>Change in Net Assets</b>	<b>(724,075)</b>	<b>5,182,649</b>	<b>4,458,574</b>	<b>(225,027)</b>	<b>(429,788)</b>	<b>(654,815)</b>
<b>Net Assets, beginning of year</b>	<b>923,608</b>	<b>5,880,050</b>	<b>6,803,658</b>	<b>1,148,635</b>	<b>6,309,838</b>	<b>7,458,473</b>
<b>Net Assets, end of year</b>	<b>\$ 199,533</b>	<b>\$ 11,062,699</b>	<b>\$ 11,262,232</b>	<b>\$ 923,608</b>	<b>\$ 5,880,050</b>	<b>\$ 6,803,658</b>

*See accompanying notes to consolidated financial statements.*



# Landesa

## Consolidated Statements of Functional Expenses

Year Ended June 30,	2020				2019			
	Total Program	Management and General	Fundraising	Total	Total Program	Management and General	Fundraising	Total
Salaries and related payroll costs	\$ 4,264,569	\$ 1,526,912	\$ 739,656	\$ 6,531,137	\$ 5,130,629	\$ 1,734,184	\$ 890,036	\$ 7,754,849
Program consulting	2,127,473	10,033	9,706	2,147,212	2,825,432	10,354	5,419	2,841,205
Project operations cost	577,503	11,692	29,564	618,759	1,116,243	29,902	64,530	1,210,675
Rent and other occupancy costs	542,211	115,195	55,805	713,211	541,114	119,616	61,257	721,987
Other office expenses	67,717	6,807	36,214	110,738	131,283	13,406	98,670	243,359
Consulting and professional fees	152,014	22,022	17,871	191,907	130,506	13,529	12,608	156,643
Information technology	83,463	22,595	27,602	133,660	101,033	22,753	27,493	151,279
Media, online, and print material	48,865	1,453	19,072	69,390	65,589	2,809	18,254	86,652
In-kind expenses	76,645	8,352	4,046	89,043	69,427	10,245	5,247	84,919
Telecommunications	33,038	9,044	4,976	47,058	32,960	9,907	5,637	48,504
Domestic and international human resource costs	27,326	2,963	2,070	32,359	23,869	6,888	5,294	36,051
Depreciation	22,428	6,993	13,983	43,404	36,694	8,999	11,673	57,366
<b>Total Expenses</b>	<b>8,023,252</b>	<b>1,744,061</b>	<b>960,565</b>	<b>10,727,878</b>	<b>10,204,779</b>	<b>1,982,592</b>	<b>1,206,118</b>	<b>13,393,489</b>
Less: Expenses netted with revenue	-	-	-	-	-	-	(77,008)	(77,008)
<b>Net Expenses</b>	<b>\$ 8,023,252</b>	<b>\$ 1,744,061</b>	<b>\$ 960,565</b>	<b>\$ 10,727,878</b>	<b>\$ 10,204,779</b>	<b>\$ 1,982,592</b>	<b>\$ 1,129,110</b>	<b>\$ 13,316,481</b>

*See accompanying notes to consolidated financial statements.*

## Landesa

### Consolidated Statements of Cash Flows

Year Ended June 30,	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 4,458,574	\$ (654,815)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	43,404	57,366
Change in discounts on pledges and grants receivable	7,248	16,445
Changes in operating assets and liabilities		
Pledges and grants receivable	(4,388,736)	(2,107,981)
Contracts receivable	177,555	(134,689)
Security deposits	4,852	(20,686)
Prepaid expenses, employee advances, and other	34,012	49,024
Accounts payable	123,207	(225,824)
Accrued payroll and related expenses	(45,693)	(46,894)
Accrued expenses	36,400	(67,065)
Deferred rent	69,467	27,930
India termination benefits	(1,483)	(20,315)
<b>Net Cash Flows from Operating Activities</b>	<b>518,807</b>	<b>(3,127,504)</b>
<b>Cash Flows from Investing Activity</b>		
Purchase of property and equipment	-	(45,650)
<b>Cash Flows from Financing Activity</b>		
Payroll Protection Program Loan	700,000	-
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,218,807</b>	<b>(3,173,154)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>2,815,311</b>	<b>5,988,465</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 4,034,118</b>	<b>\$ 2,815,311</b>

*See accompanying notes to consolidated financial statements.*

# Landesa

## Notes to Consolidated Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

Landesa is a Washington nonprofit corporation founded in 1981. Landesa is an international organization working to secure land rights for the world's poorest people. Landesa professionals have worked in over 40 developing countries in partnership with governments, non-governmental organizations, numerous foreign aid agencies, and other partners to design and implement laws, policies, and programs that provide opportunity, further economic growth, and promote social justice. Landesa has offices in:

- Seattle, Washington, United States
- Washington, D.C., United States
- Beijing, China
- Bangalore, India
- Kolkata, India
- New Delhi, India
- Monrovia, Liberia
- Yangon, Myanmar (Burma)
- Patheingyi, Myanmar (Burma)
- Dar es Salaam, Tanzania

Certain offices in India were closed during the years ended June 30, 2020 and 2019.

Landesa does not hold significant amounts of assets or liabilities denominated in non-United States currency at June 30, 2020 or 2019. During the years ended June 30, 2020 and 2019, \$3,466,634 and \$3,653,738, respectively, of expenses were incurred outside the United States of America.

Landesa receives significant revenues from multiyear grants. If the grant award is not contingent upon future actions, accounting principles generally accepted in the United States of America ("GAAP") require Landesa to recognize the entire grant as revenue in the year the grant was awarded. This accounting requirement may account for large annual increases or decreases in total revenue and support, and the annual change in net assets.

Landesa implements its Indian program activities through a number of different partner organizations, including an organization called Rural Development Institute ("RDI India Trust"). The RDI India Trust is a public charitable trust recognized by the government of India. Landesa has been the majority financial supporter of the RDI India Trust, with control over its activities. As discussed in Note 10, most of Landesa's activities with the RDI India Trust have been curtailed. In response, in 2019, a new entity was formed called Landesa Foundation for Innovations in Development Management (the "Foundation"). The Foundation is a charitable company registered as a Section 8 company in India. Landesa will be the primary financial supporter of the Foundation with control over its activities. All activities of the RDI India Trust and the Foundation are included in these consolidated financial statements.

Landesa is the sole member of a limited liability company called Landesa Consulting LLC (the "LLC"). As an LLC, the liability of the members is generally limited to amounts invested. The LLC was formed for the purpose of running operations in foreign countries while new registrations are in process.

During 2018, a private limited company called Landesa Consulting Private Limited, which was a new entity, was registered in India as an entity controlled by the LLC. Its purpose is to coordinate

# Landesa

## Notes to Consolidated Financial Statements

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operations in India to eventually be transferred to Landesa Foundation for Innovations in Development Management.

In addition, in 2014, an entity was registered in China as an entity controlled by the LLC called Landesa (Beijing) Agriculture Consulting Co. Ltd. The purpose of this entity was to coordinate operations in China. Landesa (Beijing) Agriculture was dissolved during the current year and replaced by registering Landesa U.S. in China, Rural Development Institute (USA) Beijing Office. Therefore, Landesa continues to operate in China through Landesa (Beijing) Agriculture, which is no longer considered a separate legal entity.

All activities of the LLC, Landesa (Beijing) Agriculture Consulting Co. Ltd., and Landesa Consulting Private Limited are included in these consolidated financial statements.

### ***Basis of Presentation***

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions and include Landesa's foreign and domestic activities. Accordingly, the net assets of Landesa and changes therein are classified and reported as either net assets without donor restrictions or net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed stipulations that will be met either by actions of Landesa or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

### ***Basis of Consolidation***

These consolidated financial statements include the accounts of Landesa, RDI India Trust, Landesa Foundation for Innovations in Development Management, and Landesa Consulting LLC. As noted above, Landesa Consulting LLC owns 100% of Landesa Consulting Private Limited, so this entity is consolidated into the LLC and then consolidated within Landesa's financial statements. All intra-entity balances and transactions have been eliminated. All amounts in these consolidated financial statements are stated in United States dollars.

### ***Cash and Cash Equivalents***

Landesa considers highly liquid investments with original maturities of three months or less to be cash equivalents. Landesa maintains its cash and cash equivalents in bank deposit accounts and interest-bearing money market funds, which, at times, may exceed federally insured limits.

### ***Pledge and Grant Receivable/Revenue***

Pledges and grants receivable consist primarily of unconditional promises to give. Unconditional promises to give are recognized as revenues and support in the period the promise is made. Landesa records an estimated allowance for uncollectible pledges and grants receivable based on its assessment of possible uncollectible amounts. Landesa charges off receivables against the allowance

# Landesa

## Notes to Consolidated Financial Statements

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when management determines that a receivable is not collectible. No allowance has been recorded for the years ended June 30, 2020 or 2019, based on historical collection trends.

Pledges and grants receivable that are expected to be collected within one year are recorded at net realizable value. Pledges and grants receivable that are expected to be collected in future years are initially recorded at fair value, which is measured as the present value of expected future cash flows. The discounts on those amounts are computed using donor-specific risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue in the consolidated statements of activities. Conditional promises to give are not included as support until the conditions are substantially met. Landesa has received grants for specific purposes that are open to review and audit by the grantor agencies.

### ***Contract Receivables/Revenue***

Support from cost-reimbursable contracts is recognized when eligible costs are incurred. Support from performance-based contracts is recognized when performance is completed. If support recognized exceeds cash advances received, then a receivable is recorded. However, if cash advances exceed support recognized, then a liability, unearned contract support, is recorded.

### ***Property and Equipment***

Property and equipment purchases greater than \$5,000 are capitalized and are recorded at cost or, in the case of donated fixed assets, at estimated fair value at the time of donation. Depreciation of fixed assets is provided for over the estimated useful lives of the assets for three to seven years on a straight-line basis.

### ***Deferred Rent***

Landesa recognizes lease expense on a straight-line basis over the life of the lease, with the deferred rent reported as a liability on the consolidated statements of financial position for the difference between recognized expense and the contractual payments stipulated in the lease agreement.

### ***India Termination Benefits***

In compliance with the Payment of Gratuity Act, 1971, employees located in India that have over five years of service are entitled to a lump-sum payment when they leave a company. The payment is based on a calculation that factors in length of service and most recent salary. Landesa has accrued a benefit for each eligible employee as of June 30, 2020 and 2019.

### ***In-Kind Contributions***

In-kind contributions represent contributed website services and legal services. These services were recorded at fair value and amounted to \$89,042 and \$84,919 for the years ended June 30, 2020 and 2019, respectively. In-kind services are only recognized if the services require a specialized skill that would otherwise be purchased by Landesa.

# Landesa

## Notes to Consolidated Financial Statements

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### *Vulnerability from Certain Concentrations*

For the year ended June 30, 2020, 40% of Landesa's revenue was from one entity. For the year ended June 30, 2019, 38% of Landesa's revenue were from two entities. At June 30, 2020, 88% of receivables were due from two entities. At June 30, 2019, 54% of receivables were due from two entities.

Management of Landesa is aware of the related vulnerability but does not anticipate any losses in connection with these concentrations, based on historical collections.

### *Income Tax Status*

Landesa is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. RDI India Trust and Landesa Foundation for Innovations in Development Management are exempt from income taxes under Section 12AA(1)(b)(i) of the Indian Income Tax Act. Landesa Consulting Private Limited is subject to income tax in India at the rate of 30%. Landesa Consulting LLC is subject to income tax in the People's Republic of China at a rate of 25%. No income tax expense was incurred in India or China during the years ended June 30, 2020 and 2019, respectively.

### *Use of 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 the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Functional Allocation of Expenses*

The cost of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Payroll and benefits expenses are allocated based on estimates of individuals actual time spent on the three functional areas. Non-payroll expenses for program, management, and fundraising are directly applied to each functional area. Any direct unallocated expenses are then allocated across the functional expenses based on relative payroll and benefit allocations.

## **2. Liquidity and Availability of Resources**

Landesa strives to maintain liquid financial assets in excess of the operating reserve at all times. A cash flow forecast projecting domestic cash at least twelve months into the future is updated on a monthly basis. Financial assets in excess of daily cash requirements are invested in savings accounts and money market funds.

In accordance with a board resolution adopted in 2010, Landesa maintains an operating reserve equal to at least three months of budgeted unsecured operating expenses. The operating reserve balance as of June 30, 2020 and 2019, was \$1,365,711 and \$1,365,131, respectively.

The following table reflects Landesa's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of

# Landesa

## Notes to Consolidated Financial Statements

financial position date. In the event the need arises to utilize the operating reserve for liquidity purposes, it could be drawn upon through Executive Committee resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions, which are detailed in Note 7, but all were considered available at June 30, 2020 and 2019.

	2020	2019
Cash and cash equivalents	\$ 4,034,118	\$ 2,815,311
Pledges and grants receivable	3,554,264	2,291,264
Contracts receivable	728,858	906,413
<b>Total Financial Assets</b>	<b>8,317,240</b>	<b>6,012,988</b>
Board-designated operating reserve	(1,365,711)	(1,365,131)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 6,951,529</b>	<b>\$ 4,647,857</b>

### 3. Pledges and Grants Receivable

Included in pledges and grants receivable are the following unconditional promises to give at June 30:

	2020	2019
Amounts due in		
One to five years	\$ 4,225,000	\$ 1,099,264
Less: Unamortized discount to present value	(54,305)	(47,057)
<b>Net Long-Term Pledges and Grants Receivable</b>	<b>4,170,695</b>	<b>1,052,207</b>
Amounts due in		
Less than one year	3,554,264	2,291,264
<b>Total Pledges and Grants Receivable</b>	<b>\$ 7,724,959</b>	<b>\$ 3,343,471</b>

The effective interest rate used to discount pledges and grants receivable ranged between 0.5% and 3.0% for amounts pledged in the years ended June 30, 2020 and 2019.

### 4. Conditional Awards

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

# Landesa

## Notes to Consolidated Financial Statements

Conditional promises to give for which payment is conditional upon satisfactorily meeting certain project deliverables are as follows at June 30:

	2020	2019
Conditional promises to give	\$ 2,220,500	\$ 7,680,589
Less: Cumulative amount recognized	(2,000,000)	(6,468,589)
	\$ 220,500	\$ 1,212,000

Conditional promises to give for which payment is conditional upon receiving certain matching contributions are as follows at June 30:

	2020	2019
Conditional promises to give	\$ 113,500	\$ -
Less: Cumulative amount recognized	-	-
	\$ 113,500	\$ -

### 5. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Furniture and equipment	\$ 285,393	\$ 285,393
Software	143,274	143,274
Leasehold improvements	79,209	79,209
	507,876	507,876
Less: Accumulated depreciation	(374,681)	(331,276)
	\$ 133,195	\$ 176,600

### 6. COVID and CARES Act

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because a new strain of Coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. Through June 30, 2020, the COVID-19 outbreak did not have a material impact on Landesa’s operations.

Beginning in the latter half of March 2020, state orders began to restrict activities, including the size of groups that could congregate for things such as conferences. Due to this, Landesa had to cancel one of their major fundraising events, the annual Seed the Change gala that was scheduled for March 12, 2020. However, direct conference and travel costs also decreased and thus the overall impact on operating results for the year ended June 30, 2020 was not significant. In addition,



# Landesa

## Notes to Consolidated Financial Statements

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Landesa has seen a downturn in individual donations due to COVID-19, but nothing causing significant material impacts to their financials.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on Landesa's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, Landesa is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security ("CARES") Act" was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program Loans ("PPP Loan") that are forgivable in certain situations to promote continued employment, as well as, Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. In May 2020, Landesa received a PPP Loan in the amount of \$700,000. The loan bears interest at 1% per annum, is due in May 2022, and can be forgiven based on expenditures relating to payroll, continuation of group health care benefits during periods of paid sick, medical, or family leave and insurance premiums, mortgage interest payments, rent, utilities, and interest payments on debt obligations incurred before February 2020, eight weeks from the date when the loan was funded. Based on the terms of the PPP Loan, payments are due and payable monthly in the amount of \$29,701 commencing November 1, 2020.

The PPP Loan is forgivable in certain situations to promote continued employment, as well as to provide liquidity to small businesses harmed by COVID-19. Based on preliminary estimates, Landesa believes it will be able to use approximately all of the PPP Loan funds for forgivable purposes based on the current allowable rules.

### 7. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30:

	2020	2019
Program expenses in China	\$ 1,350,647	\$ 1,936,446
Program expenses in Africa	1,554,033	921,404
Program expenses, Global Projects	907,121	884,810
Program expenses in Southeast Asia	6,903,837	715,477
General support in future years	69,730	713,290
Program expenses in India	157,072	352,157
Program expenses, Global Advocacy	47,843	200,000
Program expenses for Landesa Center for Women's Land Rights	72,417	156,466
	<b>\$ 11,062,700</b>	<b>\$ 5,880,050</b>

# Landesa

## Notes to Consolidated Financial Statements

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### 8. Leases

Landesa leases office space in Seattle, Washington; Beijing, China; New Delhi, India; Yangon, Myanmar; and Pathein, Myanmar, and subleases office space from a nonprofit organization in Washington, D.C. The details of each lease are as follows:

- The Seattle lease is a noncancelable operating lease that originally expired on February 28, 2025. However, Landesa's Seattle office received a three month rent deferment in light of the recent pandemic, extending the lease through May 31, 2025.
- The Beijing lease is a noncancelable operating lease that expires on August 31, 2021.
- The New Delhi lease is a five-year operating lease agreement with the first three years being noncancelable; the lease expires on August 31, 2023.
- The Yangon lease is a two-year operating lease agreement with the first 12 months being noncancelable; the lease expired on December 31, 2019. The lease was extended through March 14, 2021.
- The Pathein lease is a noncancelable operating lease that expires on June 30, 2021.
- The Washington, D.C. sublease agreement expires on June 30, 2020; however, Landesa terminated the lease agreement early, so there are no further commitments as of June 30, 2019.

Future minimum lease payments for the offices under noncancelable operating leases are as follows for the years ending June 30:

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2021	\$	551,813
2022		532,843
2023		530,061
2024		504,309
2025		467,577
	\$	2,586,603

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Rent expense for the fiscal years ended June 30, 2020 and 2019, was \$683,626 and \$700,187, respectively.

### 9. Retirement Plan

Landesa has a 401(k) retirement plan (the "Plan") for its employees. Participants elect to make contributions to the Plan, and Landesa contributes 3% of an employee's gross wages to the Plan regardless of any employee contribution. Total contributions related to the Plan were \$127,320 and \$165,687 for the years ended June 30, 2020 and 2019, respectively.

### 10. Related-Party Transactions

Landesa received contributions of \$164,501 and \$182,190 from members of the Board of Directors during the years ended June 30, 2020 and 2019, respectively.

Landesa received \$183,394 and \$701,080 of total revenue from related parties for the years ended June 30, 2020 and 2019, respectively. Related parties include a private foundation where a member of Landesa's Board of Directors is a key member of management.

# Landesa

## Notes to Consolidated Financial Statements

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Outstanding receivables of \$0 and \$800,000 were due from members of the Board of Directors, employees, and other related parties as of June 30, 2020 and 2019, respectively.

### **11. Update on Foreign Operations**

On February 14, 2012, India's Ministry of Home Affairs ("MHA") granted RDI India Trust permission under India's Foreign Contributions Regulation Act ("FCRA") to receive an unlimited amount of contributions from foreign entities for a period of five years. This permission expired on February 14, 2017. On April 5, 2017, the MHA rejected RDI India Trust's application for renewal of its FCRA approval. This severely limited the ability of RDI India Trust to receive funding for its programs and operations. RDI India Trust has filed an appeal of this decision with the MHA. As of the date of these financial statements, a decision is still pending, but the probability of a favorable decision is now considered low. Management is working with its funders, partners, and RDI India Trust to implement ways for Landesa to continue to do work in India while FCRA approval is pending. As explained in Note 1, Landesa has formed two additional legal entities in India: Landesa Foundation for Innovations in Development Management (a Section 8 company) and Landesa Consulting Private Limited (a private limited company). It is intended that the Section 8 company will eventually replace RDI India Trust.

### **12. Subsequent Events**

Landesa has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was January 27, 2021.