



CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Landesa
Seattle, Washington

We have audited the accompanying consolidated financial statements of Landesa, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the 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; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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.

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, 2015 and 2014, 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.

Peterson Sullivan LLP

October 26, 2015

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LANDESA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	\$ 4,604,541	\$ 6,833,009
Pledges and grants receivable (Note 2)	1,371,565	672,548
Contracts receivable	727,946	444,442
Other receivables	207,866	32,718
Security deposits	85,031	80,529
Prepaid expenses and other	199,502	164,876
Total current assets	7,196,451	8,228,122
Long-term Pledges and Grants Receivable, less discount (Note 2)	831,831	375,315
Property and Equipment, at cost, less accumulated depreciation (Note 4)	21,608	63,217
Total assets	\$ 8,049,890	\$ 8,666,654
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 111,332	\$ 188,896
Accrued payroll and related expenses	422,208	424,239
Accrued expenses	137,149	155,938
Deferred rent, current portion	49,913	41,081
Total current liabilities	720,602	810,154
India Termination Benefits	85,859	
Deferred Rent, net of current portion	90,077	139,896
Total liabilities	896,538	950,050
Net Assets		
Unrestricted	1,300,331	1,998,741
Temporarily restricted (Note 5)	5,853,021	5,717,863
Total net assets	7,153,352	7,716,604
Total liabilities and net assets	\$ 8,049,890	\$ 8,666,654

See Notes to Consolidated Financial Statements

LANDESA

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Grants and contributions	\$ 1,587,280	\$ 5,907,826	\$ 7,495,106	\$ 3,666,000	\$ 5,615,238	\$ 9,281,238
Contract revenue	1,592,540		1,592,540	1,464,153		1,464,153
In-kind contributions (Note 1)	139,523		139,523	158,816		158,816
Special events revenue	83,700		83,700	161,195		161,195
Special events expenses	(66,146)		(66,146)	(43,690)		(43,690)
Interest and other revenue	2,725		2,725	4,997		4,997
Loss on disposal of property and equipment				(26,806)		(26,806)
Net assets released from restrictions	5,772,668	(5,772,668)		5,166,820	(5,166,820)	
Total support and revenue	9,112,290	135,158	9,247,448	10,551,485	448,418	10,999,903
Expenses						
Program	7,940,934		7,940,934	7,505,486		7,505,486
Fundraising	828,663		828,663	975,271		975,271
Management and general	1,041,103		1,041,103	1,227,938		1,227,938
Total expenses	9,810,700		9,810,700	9,708,695		9,708,695
Change in net assets	(698,410)	135,158	(563,252)	842,790	448,418	1,291,208
Net Assets, beginning of year	1,998,741	5,717,863	7,716,604	1,155,951	5,269,445	6,425,396
Net Assets, end of year	\$ 1,300,331	\$ 5,853,021	\$ 7,153,352	\$ 1,998,741	\$ 5,717,863	\$ 7,716,604

See Notes to Consolidated Financial Statements

LANDESA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2015 and 2014

	2015				2014			
	Total Program	General and Administrative	Fundraising	Total	Total Program	General and Administrative	Fundraising	Total
Salaries and related payroll costs	\$ 4,381,887	\$ 959,261	\$ 671,898	\$ 6,013,046	\$ 4,648,387	\$ 1,144,240	\$ 824,503	\$ 6,617,130
Project operations cost	1,204,950	6,434	39,602	1,250,986	1,049,967	4,089	30,493	1,084,549
Program consulting	1,208,553		8,000	1,216,553	734,621		938	735,559
Rent and other occupancy costs	501,119	45,578	32,442	579,139	505,424	53,347	33,605	592,376
Consulting and professional fees	236,961	5,121	31,856	273,938	109,503	2,076	55,036	166,615
In-kind expenses	136,994	1,488	1,041	139,523	154,664	2,431	1,721	158,816
Information technology	89,205	7,635	10,343	107,183	76,400	6,432	9,455	92,287
Media, online, and print material	30,003	614	36,135	66,752	21,055	286	6,686	28,027
Other office expenses	33,259	6,016	52,424	91,699	117,490	5,059	33,660	156,209
Telecommunications	45,162	1,327	2,408	48,897	36,194	1,412	3,291	40,897
Domestic and international human resource costs	43,858	1,238	2,425	47,521	17,700	174	3,120	20,994
Depreciation	28,983	6,391	6,235	41,609	34,081	8,392	16,453	58,926
Total expenses	7,940,934	1,041,103	894,809	9,876,846	7,505,486	1,227,938	1,018,961	9,752,385
Less: Expenses netted with revenue			(66,146)	(66,146)			(43,690)	(43,690)
Net expenses	\$ 7,940,934	\$ 1,041,103	\$ 828,663	\$ 9,810,700	\$ 7,505,486	\$ 1,227,938	\$ 975,271	\$ 9,708,695

See Notes to Consolidated Financial Statements

LANDESA

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ (563,252)	\$ 1,291,208
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	41,609	58,926
Loss on disposal of property and equipment		26,806
Change in discounts on pledges and grants receivable	12,741	5,605
Change in operating assets and liabilities		
Pledges and grants receivable	(1,168,274)	1,632,200
Contracts receivable	(283,504)	(181,122)
Other receivables	(175,148)	
Security deposits	(4,502)	
Prepaid expenses and other	(34,626)	(26,288)
Accounts payable	(77,564)	114,156
Accrued payroll and related expenses	(2,031)	(44,538)
Accrued expenses	(18,789)	113,442
Deferred rent	(40,987)	(32,161)
India Termination Benefits	85,859	
	(2,228,468)	2,958,234
Net cash flows from operating activities and net change in cash and cash equivalents		
Cash and Cash Equivalents, beginning of year	6,833,009	3,874,775
Cash and Cash Equivalents, end of year	\$ 4,604,541	\$ 6,833,009

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 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
- Beijing, China
- Bangalore, India
- Hyderabad, India
- Kolkata, India
- New Delhi, India
- Bhubaneswar, India
- Lucknow, India
- Patna, India

Landesa does not hold significant amounts of assets or liabilities denominated in non-United States currency at June 30, 2015 or 2014. During the years ended June 30, 2015 and 2014, \$3,372,419 and \$3,101,404, respectively, of expenses were incurred outside the United States.

Landesa receives significant revenues from multi-year grants. If the grant award is not contingent upon future actions, accounting principles generally accepted in the United States ("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 net assets.

During the year ended June 30, 2015, Landesa received significant contributions from the following organizations:

- NoVo Foundation
- Omidyar Network
- Stichting IKEA Foundation
- Ford Foundation
- River Star Foundation
- Google Foundation
- The Bill and Melinda Gates Foundation

Landesa operates significant Indian program activities through an organization called the Rural Development Institute ("RDI India Trust"). The RDI India Trust is a public charitable trust recognized by the government of India. Landesa is the majority financial supporter of the RDI India Trust. The mission of the RDI India Trust is to undertake the Indian program activities of Landesa. All activities of the RDI India Trust 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 continuing current operations in China and does not have a termination date. Landesa, through the LLC, registered in China a separate wholly foreign-owned enterprise under the name Landesa (Beijing) Agriculture Consulting Co. Ltd. All activities of Landesa (Beijing) Agriculture Consulting Co. Ltd. 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 follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of Landesa or the passage of time.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by Landesa. Landesa had no permanently restricted net assets at June 30, 2015 or 2014.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets 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 Consulting LLC, and Landesa (Beijing) Agriculture Consulting Co. Ltd. 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.

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.

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 when management determines that a receivable is not collectible. No allowance has been recorded for the years ended June 30, 2015 or 2014, 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 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.

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 factoring in length of service and most recent salary. Landesa has accrued a benefit for each eligible employee as of June 30, 2015.

In-Kind Contributions

In-kind contributions represent contributed website services and legal services. These services were valued at fair value and amounted to \$139,523 and \$158,816 during the years ended June 30, 2015 and 2014, respectively. In-kind services are only recognized if the services require a specialized skill that would otherwise be purchased by Landesa. For the years ended June 30, 2015 and 2014, 93% and 72% of Landesa's in-kind contributions were from two donors and one donor, respectively.

Vulnerability from Certain Concentrations

For the years ended June 30, 2015 and 2014, 54% and 43% of Landesa's grants and contributions were from three and two donors, respectively. For the years ended June 30, 2015 and 2014, 63% and 26% of Landesa's contract revenue was from three and one entities, respectively.

At June 30, 2015, 70% of pledges and grants receivable were due from three donors. At June 30, 2014, 61% of pledges and grants receivable were due from two donors. At June 30, 2015, 85% of contracts receivable were due from four entities. At June 30, 2014, 88% of contracts receivable were due from three entities.

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

Income Tax Status

Landesa is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. RDI India Trust is exempt from income taxes under Section 12AA(1)(b)(i) of the Indian Income Tax Act. Landesa (Beijing) Agriculture Consulting Co. Ltd. is subject to income tax in the People's Republic of China at a rate of 25%. Total income tax expense for both years ending June 30, 2015 and 2014, was zero.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 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 statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain balances in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications have no impact on the net assets and the changes in net assets as previously reported.

Subsequent Events

Landesa has evaluated subsequent events through the date these financial statements were available to be issued, which was October 26, 2015.

Note 2. Pledges and Grants Receivable

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

	<u>2015</u>	<u>2014</u>
Amounts due in:		
One to five years	\$ 826,000	\$ 356,250
More than five years	20,000	30,000
Less unamortized discount to present value	<u>(14,169)</u>	<u>(10,935)</u>
Net long-term pledges and grants receivable	831,831	375,315
Amounts due in:		
Less than one year	<u>1,371,565</u>	<u>672,548</u>
Total pledges and grants receivable	<u>\$ 2,203,396</u>	<u>\$ 1,047,863</u>

The effective interest rate used to discount pledges and grants receivable was 0.50% and 1.00% for amounts pledged in the years ended June 30, 2015 and 2014, respectively.

Note 3. Conditional Awards

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

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

	<u>2015</u>	<u>2014</u>
Conditional promises to give	\$ 1,103,382	\$ 2,657,127
Less: cumulative amount recognized		<u>(561,823)</u>
	<u>\$ 1,103,382</u>	<u>\$ 2,095,304</u>

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

	<u>2015</u>	<u>2014</u>
Conditional promises to give	\$ 5,060,000	\$ 5,060,000
Less: cumulative amount recognized	<u>(4,580,000)</u>	<u>(3,500,000)</u>
	<u>\$ 480,000</u>	<u>\$ 1,560,000</u>

Note 4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 239,602	\$ 239,602
Software	70,278	70,278
	<u>309,880</u>	<u>309,880</u>
Less: accumulated depreciation	<u>(288,272)</u>	<u>(246,663)</u>
	<u>\$ 21,608</u>	<u>\$ 63,217</u>

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2015</u>	<u>2014</u>
Program expenses in India	\$ 3,839,146	\$ 3,063,475
Program expenses, Global Projects	1,020,047	437,998
Program expenses for Landesa Center for Women's Land Rights	270,383	572,677
Program expenses, Global Advocacy	255,490	922,995
Program expenses in China	241,992	320,475
General support in future years	185,000	266,937
Program expenses in Southeast Asia	31,442	65,000
Program expenses in Africa	9,521	68,306
	<u>\$ 5,853,021</u>	<u>\$ 5,717,863</u>

Note 6. Leases

Landesa leases one office space in Seattle, Washington, one in Beijing, China, and one in New Delhi, India. The Seattle lease is a seven-year non-cancelable operating lease agreement that expires December 31, 2017. The Beijing lease is a two-year operating lease agreement that expires August 31, 2016. The New Delhi lease is a three-year lease agreement with the first 18 months being non-cancelable, which expires August 30, 2018. Total rent expense for the fiscal years ended June 30, 2015 and 2014, was \$534,911 and \$552,956, respectively.

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

2016	\$	508,790
2017		421,826
2018		248,384
2019		14,540
		<hr/>
	\$	1,193,540
		<hr/> <hr/>

Note 7. 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 expenses related to the Plan were \$107,952 and \$129,685 for the years ended June 30, 2015 and 2014, respectively.

Note 8. Related Party Transactions

Landesa received contributions of \$206,158 and \$282,352 from members of Landesa's Board of Directors during the years ended June 30, 2015 and 2014, respectively.

Five board members have outstanding pledges receivable totaling \$366,901 as of June 30, 2015. Four board members have outstanding pledges receivable totaling \$369,734 as of June 30, 2014.

Landesa received \$800,000 and \$3 million of total revenue for the years ended June 30, 2015 and 2014, respectively, from a private foundation. A member of Landesa's Board of Directors is a key member of management at this private foundation.